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# Basic Financial Management for Non-Profits

The Common-Sense Guide

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# Preface

## NON-PROFIT FINANCIAL MANAGEMENT IS NOT ROCKET SCIENCE

This manual was created with the intention of providing basic financial management information, guidelines, methodologies, and sample report templates for CIC-funded organizations in Ontario. The content of this manual is geared to program, project and department coordinators/managers, finance coordinators/managers, directors/senior managers, and board members of non-profits and charitable organizations. However, every organization is different, in size, structure and function, so not all of the recommendations, descriptions and examples in this manual will be applicable to, or suited for, every organization.

As with the web-based training that accompanied this manual, the language and approach used to communicate the content is intended to be non-technical in nature - a simple, common-sense approach to financial management. After all, financial management is not rocket science. In fact, if you take any message away from this manual, it is the author's hope that you will see the financial management of your organization in a new light. For much too long, some financial experts have explained their concepts using technical jargon and impossibly complicated concept descriptions. And although some aspects of corporate accounting and financial management can be quite sophisticated, the basic concepts, as they apply to most non-profits, are not beyond the reach of the average non-profit staff person or board member.

It is important to remember that you don't have to know it all. If (or when) you are uncertain about a piece of financial information or unclear about what steps you should take in response to a financial issue or problem, take advantage of your organization's finance experts and advisors. Your own in-house finance staff, accountant, bookkeeper, and most importantly, your organization's auditor are all resources upon which you can draw.

In the end, what's most important is that you feel more informed when you make financial decisions on behalf of your organization. Hopefully, this manual will serve to augment your existing understanding of financial management, clarify some important issues, provide you with new tools, and arm you with key questions, all of which will improve the finance-related decisions that you will be called upon to make.

So, we beseech you, to read this manual with that thought in mind. You can do it! You can improve your understanding of, and competency in, basic financial management. Let's work together to demystify non-profit financial management by making an effort to understand basic principles, acquire new skills, learn some new methodologies, and talk more regularly and with more confidence about finance.





# Financial Management - **EVERYONE'S JOB**

## EVERYONE PLAYS A ROLE

All staff and board members have a role to play in the financial management of their non-profit organization. Whether you are the board chair or a front line worker, your actions will shape your organization's financial performance. Whether it is something as simple as purchasing bus tickets for participants or making a decision with far-reaching consequences to the organization, such as signing a lease agreement, your everyday actions have an impact. Over the course of the fiscal or financial year, these actions 'add up' and determine whether or not your organization achieves its financial goals.

## NON-FINANCE STAFF

Most non-profit staff don't work in finance. In fact, the 80/20 rule likely applies to you - 80% of the work you do is probably administrating, coordinating or managing program, project or department activities, leaving only 20% of your day, week or month for finance-related tasks. So, you will never be a finance expert, and quite frankly, you don't need to be. However, you do need to be competent at the finance-related work that you do, because the cumulative effect of the finance work done by all non-finance staff is quite significant - in fact, it is more significant than the combined work done by all of the finance staff in your organization. Therefore, although finance is not a huge part of what you do, it is important that you do it well.

## FINANCE STAFF

Well then, you are on the other side of the 80/20 rule - 80% of what you do is finance-related. Therefore, you are considered to be one of your organization's finance specialists. Not only must you be competent in your primary responsibilities but you play an important role as an in-house expert or advisor. In other words, the staff members for whom finance is a small part of their role depend on you to help them do that part of their job to the best of their abilities. For just a moment, consider yourself a finance coach, someone who provides the needed support to all non-finance staff, someone who helps give financial data meaning so that others can make informed decisions for the benefit of the organization. Remember, because most of what you do each day is related to finance, you always will be more competent and comfortable with finance-related tasks than your non-finance colleagues. Be patient, take the time to explain important concepts, play a role in enhancing the individual financial management competencies of the rest of the staff.

## EXECUTIVES AND BOARD MEMBERS

The truth of the matter is that most non-profit executives and board members do not have any formal training in the financial management of non-profit or charitable organizations. If you are a non-profit executive, chances are that your background is in community development or program delivery and/or management. Some board members may hold senior positions within the private sector, or may be technically trained as lawyers, engineers or even accountants. However, even they may not have any non-profit related experience. In as much as your non-finance related experience will serve you well in your role, you must be competent in, and comfortable with, your financial responsibilities. The financial management of the organization cannot be left to the finance staff, auditor, accountant, bookkeeper, or treasurer. All members of the organization's leadership team must be informed about and engaged in its financial management. The good news is that you don't need to be a financial expert in order to be an effective non-profit executive or board member. For you, it is all about understanding and applying some basic principles, asking thoughtful questions, staying engaged, and making deliberate, informed decisions. Also, it is important to know your limitations and make appropriate use of your finance experts when you need help.



# Who Does **WHAT?**

## ROLES AND RESPONSIBILITIES IN FINANCIAL MANAGEMENT

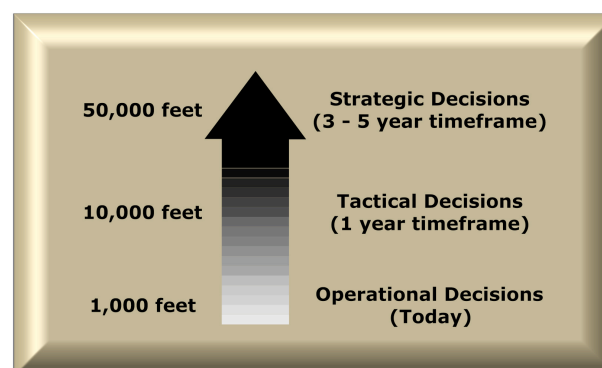
In the previous section, we emphasized the significance that every staff person and board member play in the overall financial management of the organization. In this section, we will review the roles and responsibilities associated with non-profit financial management.

### DIFFERENT LEVELS OF DECISION-MAKING AUTHORITY

If you take a look at Figure 1, you will see the three types of decisions that are made routinely in any organization: Strategic, tactical and operational. Strategic decisions focus on the big picture, not the details. These decisions relate to issues that will impact the organization over the next three to five years. Tactical decisions are those that affect that organization in its current fiscal or financial year. Finally, operational decisions are those that impact the organization today and tomorrow.

We can use the analogy of an airplane flying at different altitudes to better understand each decision-making level. If you were looking out the window of an airplane at 50,000 feet, you would have considerable perspective with a viewing range of hundreds of kilometers in any direction. However, only large features would be visible, such as oceans, big lakes and rivers, mountain ranges, vast terrains of desert or green, large forests, and whole cities. At 10,000 feet, you would not be able to see out as far but you would start to see more detail, such as smaller bodies of water, rolling hills, defined landscapes, communities, maybe even tall buildings. At 1,000 feet, the distance you can see out is even more limited but your view would include lots of detail - individual trees, the smallest of houses, vehicles, and even people. Depending on your role in the organization, your work and the decisions associated with your role, will tend to be either strategic, tactical or operational.

**Figure 1**



### The Board of Directors

The board of directors oversees the organization's financial management at the 50,000 foot or strategic level. It is ultimately responsible for ensuring:

- ▶ the development and monitoring of financial controls
- ▶ that adequate resources exist to carry out the mission
- ▶ that resources and assets are protected
- ▶ that contractual commitments do not exceed the financial capacity of the organization
- ▶ the performance of the organization is monitored
- ▶ that financial obligations are met
- ▶ an independent annual audit or review takes place
- ▶ that due diligence is exercised in financial management

### *Considerations for Board Members on Due Diligence*

- ▶ Due diligence refers to the care that a reasonable lay-person should take before entering into an agreement, transaction or making an important decision.
- ▶ Failure to exercise due diligence can be considered negligence in a court of law, especially failure to prevent harm to the organization.
- ▶ Exercising due diligence is not complicated; it can be accomplished using the following three-step rule:
  1. Become informed on the issue at hand; ask 'what if' questions.
  2. Define the decision-making process in advance so everyone is prepared for a critical vote.
  3. Record these activities in the board meeting minutes.

### **The Treasurer**

The Treasurer is not just a board member, but s/he also is one of four officers of your organization's board of directors, along with the chair (or president), vice-chair (or vice-president) and secretary. The treasurer acts as the board's financial expert. That does not mean that s/he has to be an accountant, but rather, s/he oversees the detailed financial work of the board. The treasurer should chair the board's finance committee (see paragraph below) and act as the liaison on financial issues between the board and this committee. Therefore, the treasurer 'wears two decision-making hats', one at the strategic or 50,000 foot level when participating as a regular board members, and the other, at a tactical or 10,000 foot level, when directly involved in finance committee activities.

### **The Finance Committee**

It is now considered a best practice for every non-profit to have a standing (or permanent) board finance committee. This committee works at the tactical or 10,000 foot level, performing the financial work of the board in a greater level of detail than the board as a whole. As with all board committees, it is fully accountable to the board of directors. The finance committee vets the budget and financial reports at a detailed level; investigates significant variances between the budget and actual results; and, makes recommendations to the board through the treasurer. We will further explore the responsibilities and composition of this committee later on in this manual.

### **The Executive Director**

The executive director works primarily at the tactical or 10,000 foot level, with full responsibility for directing the organization's financial activities, financial resources and finance staff throughout the year. S/he manages and monitors the organization budget and budgeting process. Also, s/he oversees all program, project or department budgets. Ultimately, the executive director is accountable to the board of directors for the achievement of the organization's annual financial goals.

### **Finance Managers/Coordinators**

The organization's finance staff work at the operational or 1,000 foot level, tracking and reporting on its financial activities. They have primary responsibility for developing the organization budget and preparing regular financial reports for distribution to the program, project and department managers/coordinators, the executive director, the finance committee, the board, and funders. The finance staff are typically responsible for developing and maintaining the organization's financial controls and documenting financial processes to mitigate risk and ensure full transparency. In addition, they are directly involved in preparing for, overseeing and completing follow-up work on, all audits and funder-specific program monitors.

**Program, Project or Department Managers/Coordinators**

The organization's program, project or department staff work at the operational or 1,000 foot level with primary responsibility for developing, managing and monitoring program, project and department budgets. They work cooperatively with their finance colleagues in the preparation of funder reports and proposals. They play an important role in communicating budget-related information to their manager and front-line staff. As with all staff, they help to reduce financial risk to the organization by adhering to financial controls or policies.





# Budgeting - **THE KEY TO FINANCIAL MANAGEMENT**

## WHY BOTHER BUDGETING?

We have been asked if there is really a need to prepare an organization budget or will it suffice to simply have program, project or department budgets. The answer is a resounding yes, you must have an organization budget for each fiscal or financial year. This budget is the organization's single most important tool in financial management and its primary financial control or risk mitigation mechanism. It is through the organization budget that the annual financial goals are established for the coming year. Integral to the budgeting process is issuing financial reports each month that compare the organization's results (or actuals) to the budget. This combined process of budgeting and reporting provides a 'guiding light' for the organization's leaders. Without the budget or detailed goals, you would have no way of knowing if your organization is on-track or off-track financially.

Budgeting not only serves the needs of the organization's leaders to effectively assess financial performance but it provides important assurances to external stakeholders. A well-designed organization budget:

- ▶ Ensures that the organization is able to pay its bills today in order to offer services tomorrow.
- ▶ Demonstrates that donated resources and funding dollars have been used efficiently and effectively.
- ▶ Demonstrates accountability to funders and stakeholders.
- ▶ Confirms the ability to use scarce resources wisely.
- ▶ Ensures that present resources are managed effectively for the long term survival of organization.

## STEPS TO SUCCESSFUL BUDGETING

Now that we have addressed the importance of the organization budget, let's explore the three steps to successful budgeting. These steps apply to any budget, the organization budget as well as the program, project and department budgets.

### **Step 1: Preparation and Development**

The initial stages of budgeting, preparation and development, are all about planning, consultation and substantiated assumptions. Let's start out with planning. Budgeting takes time. The best way to make sure that you schedule sufficient time to properly complete your budget is to prepare a timeline, starting with the end date. Identify the date that budget is due; this represents the end date in your timeline. For example, if you are preparing the organization budget, what is the date that it will be submitted to the board of directors for approval? If you are preparing a program, project or department budget, what date is the proposal due to the funder, or what date is the budget due to your manager for approval?

Once your end date is established, list all of the steps involved in the development of the budget, including consultations with other staff, researching costs with external vendors or suppliers, producing drafts for review/vetting, and making revisions or changes. Allocate more time than you think you'll need for each step because in the real world, budgeting typically takes longer than we think, especially if the process relies on the input of others.

When you schedule time slots or budget work days for yourself, make sure they are no longer than four hours each. It is very difficult to get long periods of uninterrupted time away from our daily responsibilities. Be realistic. For example, it is not practical to schedule several consecutive, full days dedicated to budgeting, as you have other responsibilities to which you must attend.

Plug each of these steps or budget work days into your timeline, in the most sensible order, starting with those nearest to your end date. Remember, you are preparing this timeline in reverse, starting with an end date and working your way to a start date. Once you have scheduled in all of the required steps and budget work days, you will have completed your timeline. It will be clear what date you must start your budgeting process in order to devote sufficient time to each step and complete the budget by the required date. Finally, put all of the key dates in your calendar so you can plan your other responsibilities around them. Then, communicate your budget timeline widely - to your manager, your staff and your colleagues, so that everyone is aware of your time commitments. If you require input from or consultation with someone, be clear of your expectations, so they can plan their schedule accordingly.

Now that we've covered preparation, let's address how to properly develop a budget. The most effective approach to take in developing a budget is called 'zero-based budgeting'. Zero-based budgeting is founded in the principle that you start a new budget with zero in every line item and build the budget based upon research, calculations and substantiated assumptions. Although it may be tempting to simply use the budget values from the previous year and add a cost of living factor, this is not an effective or accurate method of budgeting.

Here are some important guidelines for developing a successful budget:

- ▶ Each budget line item should be calculated independently from any other line item and any past budget amounts.
- ▶ Do your research - don't guess about your costs or income generating capabilities.
- ▶ Consider historical trending; if you ran the same type of program before, you can refer to the previous year's budget and results for trending information (don't simply copy the values over).
- ▶ Record and save details on each budget line item for reference later on. It is very important that detailed notes are kept for every budget line item, clearly indicating the rationale for the amount.
- ▶ Your budget line items should match the chart of accounts in your bookkeeping system and correlate with the format of your audited statements.
- ▶ Plan for carry-overs from previous years, such as deferred income and expenses.
- ▶ When preparing your monthly budget amounts DO NOT JUST DIVIDE BY TWELVE! If the expense (or income) amounts are truly going to be incurred (or earned) equally each month, then dividing the annual amount by twelve is fine. However, for most program related expenses, you should calculate the monthly amounts based upon the program work plan (program activities) and seasonal variances. Monthly income amounts should be based upon the payment schedule from the funder, or in the case of fundraising income, a fundraising work plan.
- ▶ Know the high risk areas of the budget and have a contingency plan. After your budget is approved, schedule a meeting with your staff and/or colleagues. Use this opportunity to review the budget and talk about the areas of the budget that are likely to be problematic. Proactively explore potential corrective actions or contingencies.
- ▶ Prepare a year-end estimate at the half-way point of the budget year based upon the way that the individual budget line items are currently trending. This exercise allows you to spot potential problems and make spending adjustments in a timely fashion.
- ▶ Remember, the goal for any funded program is to have a break-even bottom line - no surplus, no deficit.

## Step 2: Monitoring and Management

As with Step 1, this next step in budgeting is two-fold, monitoring and management. Let's start out with monitoring. Budget monitoring must be done EVERY MONTH, for all budgets: Organization, program, project, and department. Quite simply, monitoring is the process of comparing the monthly budget to the monthly results (or actuals), and identifying any variances - areas where the budget is overspent or underspent. The best way to accomplish monitoring is through the production of monthly financial reports. The finance staff should be creating and distributing reports which clearly show the monthly budget amounts compared to the monthly results, for each program, project (if applicable) and department (if applicable). It is helpful to provide the year-to-date (YTD) budget amounts and results as well. It is then the responsibility of the applicable managers/directors/executives to monitor their assigned budgets by reviewing these reports.

Now, let's review the subject of variances in more detail. As previously stated, a variance occurs when there is a difference between your monthly (or YTD) budget and monthly (or YTD) result, for any budget line item, income or expense. Some variances resolve themselves with little or no corrective action required. For example, imagine if you budgeted for a particular expense in June but the invoice arrived late and will not be paid until July. In this case, your June financial report will show a positive variance (underspending) in June for this particular budget line item and a negative variance (overspending) in July. By the time you get your August financial report, the monthly variance for this line item will have resolved itself. In fact, the YTD variance will have resolved itself in July (YTD underspending in June is countered by the payment of the invoice in July).

Some variances are small (insignificant) and other are large (significant), relative to the budget. Typically, a variance is considered significant if it is 5 - 10% over or under budget. Each organization should clearly define what it considers to be a significant variance. The definition of a significant variance also can be influenced by your funder's definition of what is significant. It is not unusual for small variances to occur throughout the budget year. However, the more accurate the budget, especially the monthly budget amounts, the fewer the variances, especially significant ones. It is important for the applicable manager to research the root cause(s) for any significant variance(s) identified in his/her budget and to determine what action is necessary to correct the variance(s). As mentioned earlier, some variances resolve themselves, others do not. For example, let's say that you are a program manager and you plan to hire a new front-line worker at the start of your program year in April. So, the new hire's salary and benefit expenses have been budgeted as of April 1st. However, by the time you post a recruitment ad, collect and review resumes, conduct interviews, and make a selection, it is already the end of May. Therefore, you have two months of unspent salary expense for this new hire (a positive, significant variance). Unfortunately, this variance will not correct itself. You will need to take action to resolve the variance before year-end.

So, what is budget management? Well, budgeting management is the process of taking corrective action on any variance that could jeopardize the year-end result for your organization, program, project, or department. If a significant variance (positive or negative) will not correct itself, then the manager responsible for the budget must take action to bring the results in line with the budget. In our example above, where a significant variance occurred due to the late start of a new hire, the salary variance could be resolved by the hiring of part-time or temporary staff to help out during the program's peak period. This is one way to use up the extra salary dollars left unspent in the budget.

Figure 2 is a sample of a variance report that can be used to document significant variances and the reasons for their occurrence. This report can be completed by finance (for organization budget variances) or the applicable program, project or department manager (for program, project or department budget variances). A copy of the completed report can be circulated to the next level manager to inform him/her about any significant variances and facilitate a discussion about corrective action.

**Figure 2**

Monthly Variance Analysis									
Income or Expense Account	Monthly Budget	Monthly Actual	Monthly Variance		YTD Budget	YTD Actual	YTD Variance		Variance Explanation
			\$	%			\$	%	

So, in summary, budget monitoring is comparing the monthly budget with the monthly results and identifying any significant variances. Budget management is analyzing the root cause for these variances and taking corrective action to resolve them so they do not jeopardize the year-end results.

### Step 3: Oversight

The third step in successful budgeting is oversight. Whenever we use the word oversight, we are referring to ‘big picture’ work where we turn our attention to key assumptions, significant variances and broad trends that can affect financial performance. Budget oversight starts in the development stage of budgeting with vetting (identifying, examining, validating) key assumptions for prudence. Oversight activities are ongoing throughout the year to ensure that income and expenses are trending in a manner that is consistent with the budget. Oversight, in order to be effective, should be proactive in nature, seeking out issues that could have an adverse affect on the sustainability of the organization, program, project, or department.

### *Considerations for Program/Project Managers on Planning and Budgeting*

The process associated with program/project planning in the voluntary sector has become well defined and includes five steps that should be completed in a specific order to ensure success (see Figure 3). Typically, a program/project idea is triggered by a need in the community. Once that need is identified, discussions ensue regarding the types of potential benefits to be realized if this program/project were to be implemented. These benefits, to individual clients and the community at-large, are called outcomes. Funders require that the desired outcomes of a program/project are clearly documented, because it is through the achievement of these outcomes that program/project success is measured.

The next step in program/project planning is the development of a logic model. The logic model is an illustration of the program/project components, activities or outputs, target groups, short-term outcomes, and long-term outcomes. A well thought-out logic model is very useful in program/project planning and evaluation. It helps stakeholders to understand the overall structure and function of program/project, and ensures that its activities correspond with the intended results.

The third step in program/project planning is the development of the work plan - a detailed description of the activities involved in carrying out the program/project, including the who's, what's and when's of program/project delivery. It is only through this detailed account of program/project implementation that you can begin to assess the resources required by the program/project.

Next, comes the development of the program/project budget. It is not possible to put together a comprehensive budget without having first developed the work plan. Doing so would be as fruitless as try to price out the cost to build a house without first defining its size, layout and finishing details.

Finally, it is no longer enough just to do good work. We must monitor and measure the success of our efforts. Every program/project plan should include provisions for the ongoing monitoring of program/project activities and an evaluation to confirm the achievement of desired outcomes.

**Figure 3**



Program/project managers often find the step from work plan to budget quite challenging. How do you effectively translate detailed activities and timelines into numbers? To aid in that process, please have a look at Figure 4 - a simple spreadsheet template developed to calculate budget values for work plan activities.

In the top portion of the template, you can enter the program/project name, along with its start and end dates, the applicable fiscal or budget year, and page numbering for easy reference.

In the centre area, left most column, list the first activity in your work plan. We have used program meetings as an example. In the next column, list the different types of expenses (actual budget line items) associated with this work plan activity. In this case, we will need to budget for facility costs (offsite meetings), meeting expenses and travel.



Then, enter the frequency of the activity, which in the case of our example, is four (quarterly meetings). Formulas can be created in the cells in the next column, to automatically total the amounts in the previous three columns, and give an annual total per expense type. The final column provides a space to note the months in which these expenses will be budgeted. Of course, if we were completing this template for a real program/project, we would continue on and enter the rest of the work plan activities and their associated costs into the middle section. The bottom section of the template is intended to be used to communicate program/project staffing and capital asset requirements so that finance can budget accordingly on your behalf. Once the template is completed, you will have all of the information required to prepare an accurate program/project budget.

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BUDGETING ROLES AND RESPONSIBILITIES

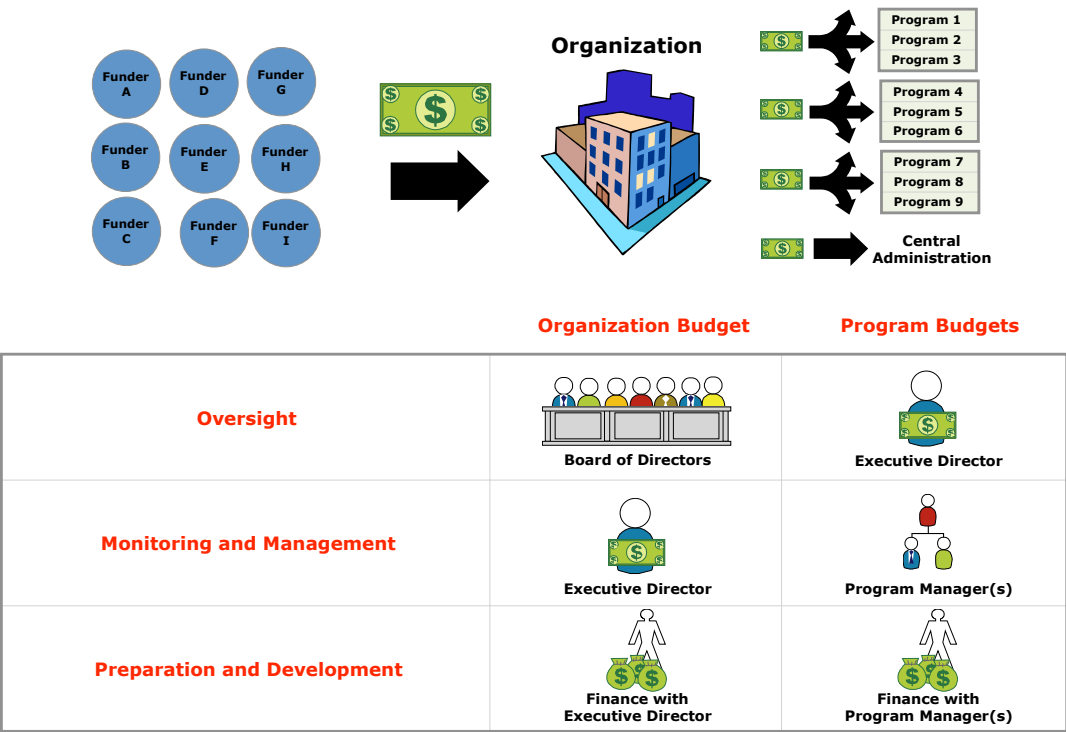
Now that we have reviewed the three steps to successful budgeting, let's clarify the roles and responsibilities associated with budgeting. Figure 5 illustrates the distribution of responsibilities in budgeting for a typical mid-sized non-profit or charity. For larger organizations, the roles will be slightly different and may involve another layer of management.

At the top of the illustration, we can see that there are a number of different funders/funding sources contributing funding dollars to this organization. The funding dollars are received by the organization and distributed or apportioned to each of the programs, projects or departments based upon their respective budgets. In addition, funding is set aside for shared or central administrative expenses (more to come on this subject later).

At the bottom of the illustration, we indicate who is responsible for each of the three stages of budgeting, for both the organization budget and the program, project or department budgets. For example, the board of directors is responsible for overseeing the organization budget, while that responsibility falls to the executive director for the program, project or department budgets.

In the case of the organization budget, the finance staff has responsibility to prepare for the fiscal budgeting process and develop the budget, typically in consultation with the executive director. As a result, the finance staff owns the documentation associated with the organization budget. The finance staff generates the monthly reports that compare the organization's monthly budget with the monthly results. As part of this reporting responsibility, finance should identify and analyze any significant variances, as well as recommend corrective action to resolve these variances.

Figure 5



The executive director is responsible for the monthly monitoring and management of the organization budget. S/he reviews the financial reports produced by the finance staff, including the variance reporting, and makes decisions on any corrective action necessary to realign the results with the budget. Finally, the board of directors is responsible for approving the final iteration of the organization budget after it has been reviewed and approved by the executive director and vetted through the finance committee. The board continues to play an important role in overseeing the organization budget throughout the year.

Typically, the program, project and department managers develop their own budgets with support from the finance staff, especially in the areas of staffing and capital expenditures (equipment, land, buildings). In this case, the applicable manager owns the documentation associated with the preparation of his/her budget(s). These budgets must receive final approval by the executive director. The finance staff generate monthly financial reports for all programs, projects and departments. The appropriate manager should identify any significant variances in his/her budget, determine the root cause(s) for these variance(s) and recommend corrective action to his/her manager, or in the case of a small organization, to the executive director. The responsibility for overseeing these budgets falls to the executive director. The board of directors is not involved in any stage of program, project or department budgeting.



# Budgeting - **A SYSTEM THAT WORKS!**

## A TEMPLATE FOR DEVELOPING YOUR ORGANIZATION'S BUDGET

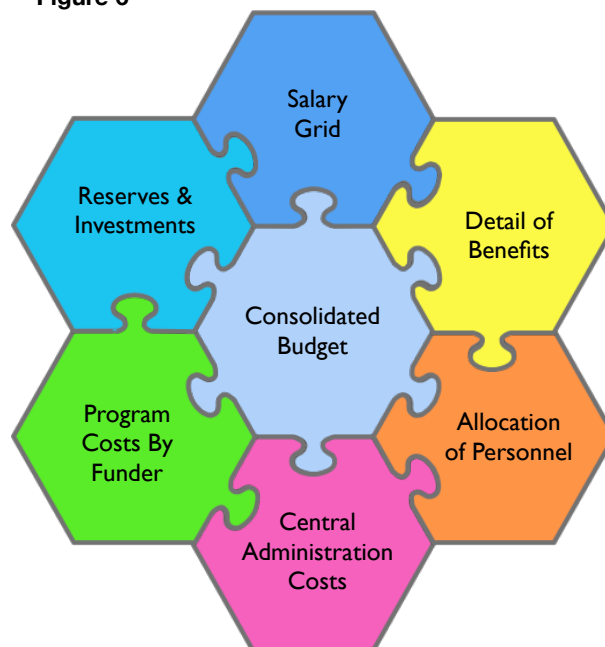
The previous section was dedicated to the importance of, and process associated with, budgeting. In this section, we are going to explore a methodology or system that can be used by the finance staff to develop the organization budget. The importance of using a system for developing the budget cannot be emphasized enough, as it:

- ▶ allows for revisions to be made quickly and easily
- ▶ provides a mechanism for running sensitivity analyses or scenarios
- ▶ ensures that the budgeting assumptions and calculations are properly documented

### The Template

The template can be created using your favorite spreadsheet software. Simply open a new file and open or insert seven workbooks or tabs. Each workbook or tab will be used to document a specific aspect of the budget, as represented by the puzzle pieces in Figure 6.

**Figure 6**



**Tab 1: Salary Grid**

Your fiscal budget should begin with a Salary Grid. The Salary Grid is a summary of the minimum and maximum salaries (salary range) for each position or role within the organization, for the upcoming year. It is helpful to include both the annual salaries and the corresponding hourly rates. Steps 1 - 6 on the grid could represent salary progression through annual or performance increases. It is typical for the executive director's salary not to appear on this grid, as it is negotiated directly with the board. The board of directors must approve the Salary Grid each year.

**Figure 7**

Current	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Executive Director	No range, negotiated salary					
Manager	\$55,000	\$56,100	\$57,222	\$58,366	\$59,534	\$60,724
Coordinator	\$45,000	\$45,900	\$46,818	\$47,754	\$48,709	\$49,684
Program Assistant	\$36,000	\$36,720	\$37,454	\$38,203	\$38,968	\$39,747
Students/Interns	\$22,000	\$25,480	\$29,120	\$32,760		
Manager	\$30.22	\$30.82	\$31.44	\$32.07	\$32.71	\$33.37
Coordinator	\$24.73	\$25.22	\$25.72	\$26.24	\$26.76	\$27.30
Program Assistant	\$19.78	\$20.18	\$20.58	\$20.99	\$21.41	\$21.84
Students/Interns	\$12.09	\$14.00	\$16.00	\$18.00		

**Tab 2: Detail of Benefits**

The second tab in your budget system provides detailed information about the underlying calculations for employer-paid benefits. Please note that the rates provided below are examples only. Rates for statutory (legally mandatory) benefits change annually, as will your group health and retirement benefit rates. Based upon the sample calculations below, it is clear that for every \$100 of payroll expense, the organization will pay an additional \$18.54 in employer-paid benefit costs.

**Figure 8**

Benefit	Rate	Max	%
CPP	4.95% up to \$48,300 (\$3,500 Exemption)	\$2,217.60	4.95
EI	1.78% x 1.4 = 2.492% up to \$44,200	\$1,101.46	2.49
WSIB	\$ .77 per \$100		0.77
EHT	1.95%	\$400,000 Exemption	1.33
Group Health	7%		7.00
RRSP	2%		2.00
		Total	18.54



### Tab 3: Allocation of Personnel

One of the most valuable parts of the budget system is the Allocation of Personnel. It provides critical information about the funder(s) that are contributing to each staff person's salary expense, how much of each salary is being funded, and how much of the organization's total salary and benefit costs are being funded. Any unfunded salary and benefit costs must then be paid through self-generated income sources, such as fundraising, donations, membership fees, interest income, etc. Every existing staff person and all budgeted new hires must be included in this table.

The example in the table below is for a new program assistant. Because the example is that of a new hire, no information is available for *last year's salary*. Under *this year's salary*, we have entered the starting salary for a program assistant from our Salary Grid, of \$36,000 (you can easily link this cell to the applicable cell in the Salary Grid). However, we have budgeted only for nine months of salary expense for this new hire (\$27,000) to give us the time necessary for recruitment. The hourly rate of \$19.78 has come directly from the Salary Grid and corresponds to the \$36,000 annual starting salary. In the columns that follow, the amount contributed by each funder to this salary cost is entered into the table. For example, Citizenship and Immigration Canada is contributing \$9,000 towards this \$27,000 salary expense, the Ministry of Citizenship and Immigration is contributing \$9,000, and the United Way is contributing \$8,000. Therefore, a total of \$26,000 of the \$27,000 salary expense (96%) is being funded, leaving a gap of \$1,000. This remaining cost must be covered by self-generated income sources. Please note that the column titled *other funders* can be used for contributions made by other, smaller funders, so to minimize the number of columns required in the table. Or, this column can be for used to indicate any self-generated income required to fully pay for each salary.

The final step in completing this table is to add benefit costs at the bottom. The percentages from the Detail of Benefit table can be used to create formulas in each cell that automatically calculate benefit costs based upon the total salaries.

The Allocation of Personnel is helpful in determining the annual budget for self-generated income by calculating the total amount of unfunded salary and benefit costs.

**Figure 9**

Name	Position	Last Year's Salary	This Year's Salary	This Year's Actual	Hourly Rate	CIC	MCI	United Way	Trillium	Other Funders	Total Funded	Variance	Funding Ratio
New Hire	Program Assistant	0	\$36,000	\$27,000	\$19.78	\$9,000	\$9,000	\$8,000			\$26,000	\$1,000	96%
	<b>Total Salaries</b>												
	<b>Total Benefits</b>												
	<b>Group Health</b>												
	<b>RRSP</b>												
	<b>Statutory</b>												
	<b>WSIB</b>												
	<b>Total Salary &amp; Benefits</b>												

#### Tab 4: Central Administration Costs

The next tab of our budget system provides the detail for central administration costs. There are two types of costs for which we routinely budget:

- ▶ *Direct costs* are those that can be clearly and easily attributed to a specific program (e.g. program supplies, counsellors' salaries, meeting costs, participant travel).
- ▶ *Indirect costs* are not exclusively associated with a specific program, but are necessary to the operation of the program. These costs are shared amongst programs and, in some cases, amongst departments in an organization (e.g. executive director's salary, administrative and management salaries, occupancy costs, telephone, bookkeeping, insurance).

Central administration costs are indirect or shared costs. Theoretically, every funder should be prepared to absorb their fair share of these costs. In reality, there are some funders that still refuse to do so, and others that limit the percentage of central administration costs they will pay.

The first step in completing the Central Administration tab of our budget system is to detail the total annual central administration costs for the organization, for the coming year. This list should include all indirect salary and non-salary costs.

The next step is to decide on a method of apportioning these total central administration costs to each funder. Irrespective of the method selected, the apportioning must be fair and equitable, and the rationale must be documented, clear and substantiated.

In past years, non-profits tracked actual central administration costs, for example, they measured the square footage of the space used by a given program, divided that square footage into the total square footage of the organization's office space and applied that percentage to the total occupancy costs. With the exception of very small non-profits, this approach is not widely used because it is very time consuming with considerable record-keeping. Also, it can be difficult to deal with shared resources.

Today, most non-profits use a cost factor or rate to apportion central administration costs to each funder. The three most common rates used, are as follows:

- ▶ number of full-time program/project staff (FTEs) over the organization's total program/project staff
- ▶ program/project direct costs as a percentage of the organization's total direct costs
- ▶ program/project funding as a percentage of the organization's total funding

Again, the approach you use is not as important as using the same approach for each funder and clearly documenting your calculations.

**Tab 5: Program Costs by Funder**

At the fifth tab of the system, we start to assemble and present our budget information into a detailed format. Income can be input based upon funder contracts, payment schedules or commitment letters, and in the case of self-generated income, work plans and supporting calculations. The cells for salary and benefit costs can be linked to the Allocation of Personnel table. Direct or program expenses will come straight from the approved program budgets. And, finally, central administration costs can be calculated using the information from Tab 4.

Please note that we recommend entering last year's budget amount or last year's results into the table as a comparative. As a rule, financial data should never be reported in isolation. It always should be presented as a comparative, along with last month's budget or results, last year's budget or results, etc. On a regular basis, we attend board meetings only to witness the distribution of monthly financial reports that have only results - no budget. These reports have little value as there is no information with which to compare the results.

Finally, don't forget to input any deferred income (with its corresponding expenses, of course) that might be received this year but not used or earned until next year. For example, you may have received news from the Ontario Trillium Foundation that a funding proposal submitted by your organization has been approved. However, this program will not start and the funding will not be received until October, approximately half-way through your fiscal year. Therefore, you will not be able to record all of this grant money as income in the current fiscal year (because you can't use it all during this year). It will be necessary to defer a portion of it, along with the associated expenses, into next year.

**Figure 10**

Organization Detailed Budget Fiscal Year _____	Last Year's Budget	This Year's Budget	Changes	Defer to Next Year	CIC	MCI	United Way	Trillium	Other Income	Total Funded
<b>Income</b>										
Citizenship and Immigration Canada										
Ministry of Citizenship and Immigration										
United Way										
Trillium										
Fundraising and Donations										
Memberships										
<b>Total Income</b>										
<b>Expenses</b>										
<b>Program Expenses</b>										
Salaries and Benefits										
Staff Development										
Staff Travel										
Board Expenses										
Meeting Expenses										
Program Supplies										
Participant Travel										
Honouraria										
<b>Central Administration</b>										
Audit										
Bank Charges										
Insurance										
Equipment Rental and Repair										
Rent and Utilities										
Telephone, Fax and Internet										
<b>Total Expenses</b>										
Transfer to/from Reserves										
<b>Surplus (Deficit)</b>										

## Tab 6: Reserves and Investments

The next section of our budget system, Tab 6, is devoted to reserves and investments. Let's start with reserve funds.

As you may be aware, a non-profit organization's net worth or net assets are referred to as fund balances, in contrast to the term equity which is used exclusively in the for-profit sector. Information about your organization's fund balances can be found on the Balance Sheet or Statement of Financial Position, which we will review in more detail later in this manual.

All non-profits will have at least two types of reserve funds, an unrestricted fund and an internally restricted fund. Others also may have an externally restricted fund.

First of all, fund balances are a way of categorizing your organization's net assets, or its available resources minus any amounts owing. This categorization is for reporting purposes - an on-paper description only. For example, you cannot go to the bank and ask to see your internally restricted reserve fund because it does not physically exist.

So, let's review the three different types of reserve funds.

The *unrestricted reserve fund* represents the financial resources that are readily available for use by your organization, typically to pay its monthly bills. The use of these funds is not restricted, therefore, no approval is required to access them. The unrestricted reserve should be adequate for proper cash-flow management, especially if a funder requires that you pay expenses in advance of receiving any funding dollars.

An *internally restricted reserve fund* represents financial resources that are readily available, but whose use is limited or controlled internally, typically by the organization's board of directors. This fund also is known as a contingency fund. Consider the internally restricted reserve to be similar in purpose to your personal savings. It is considered a best practice for all non-profits to have an internally restricted reserve for use in emergencies, for unplanned expenses or in the worse case, in the event of a shut down of the organization. These resources also can and should be used for improving your infrastructure (expansion, modernization and technology advances) or increasing your board and staff development. Some funders consider any funds whose use is not restricted externally, to be unrestricted in nature. Therefore, they would group your organization's unrestricted and internally restricted reserve fund balances in one category - *unrestricted or available for use*.

An *externally restricted reserve fund* represents financial resources whose use is limited or controlled externally, typically by the donor. For example, a donor contributes funds to the organization for a specific use, such as to maintain/upgrade the security system for a women's shelter. Not all organizations have an externally restricted reserve fund.

**Figure 11**

Type of Fund	Balance at End of Last Year (A)	Required Balance at End of Current Year (B)	Variance (B-A)
Unrestricted			
Internally Restricted	\$145,000	\$155,000	\$10,000
Externally Restricted			
<b>Total</b>			

So, how much should your organization set aside as an internally restricted reserve or contingency fund? Well, your needs in this regard will change each year along with your budget. Therefore, an important part of the fiscal budgeting process is calculating the amount that your organization will require in its internally restricted reserve fund by the end of the upcoming year. The table above can be used for that purpose. Your first step is to enter the internally restricted reserve fund balance from last year's audited financial statements (Statement of Financial Position) into *column A*. Next comes the calculation.

There are two methods for calculating the required balance for your internally restricted reserve fund, as follows:

*Option 1: Three to six months of committed or fixed operating costs.*

The definition of committed or fixed operating costs does vary from one organization to another. Typically, it refers to lease or contract costs, salary costs associated with a reduced or minimized complement of staff, and a minimal amount for day-to-day office expenses.

*Option 2: Total costs to shut-down your organization.*

If your organization was facing its worse case scenario, for example, the loss of your largest funder, a shut-down might be inevitable. In the event of a shut-down, your organization would be required to pay out penalties on any leases or contracts, termination, severance and perhaps, unused benefit entitlements for your staff, asset disposal costs, legal fees, etc.

In summary, you should select **EITHER** option 1 or 2 above, as the method of calculating your organization's internally restricted reserve fund requirements each year and enter this amount into *column B* of the table. The difference between column B and A is the amount that you need to increase your internally restricted reserve by, over the course of the upcoming year.

So, how does your organization get the funds it needs to increase its internally restricted reserve fund or to create one initially? Well, the most obvious way to do so is by generating a surplus from your annual financial activities. This surplus, or a portion thereof, can then be transferred at year end to your internally restricted reserve fund. As noted previously, your organization cannot generate a surplus from funded activities or programs. Therefore, a surplus only can result from your self-generated income, such a fundraising, donations, membership fees, interest income, etc. You could, for example, secure a donation or combined donations for the specific purpose of creating or enhancing your internally restricted reserve fund. If you go this route, it is important that the donor(s) does not/(do not) put any other (external) restrictions on the use of these funds. It may not be possible to build an internally restricted reserve in one year. Your organization may require several years to get this fund balance to an adequate level.

Finally, let's address the issue of investing your organization's available resources. Investing is a legitimate way for a non-profit to generate income. However, your organization should not embark upon investing until it has a board-approved investment policy. This policy should provide clear guidelines on how much of your organization's available resources can be invested, in what types of investment vehicles and for how long. This policy also should address the process for monitoring these investments. Your budget system should include a summary of your existing investments, such as the one presented below. This table provides details such as the investment number, the principal amount, the term, the interest rate, and the maturity date. The table should include an estimate of the total year-end value of the investments.

**Figure 12**

Investment #	Amount	Term	Rate	Maturity Date
04799-9687883 FLGIC-000192	\$40,000	1 Year Non-Cashable	2.75%	8-Sep-12
00120-6359434 ERGIC-001847	\$25,000	3 Year Cashable	2.65%	16-Feb-13
BRGIC - 00041	\$50,000	1 Year Non-Cashable	2.30%	1-Jun-12
VRGIC - 00037	\$35,000	Cashable	1.90%	3-Dec-12
<b>Estimated Value at Year-End</b>	<b>\$150,000</b>			



Please adhere to two important rules associated with prudent investing:

- ▶ Invest your assets in low-risk investment vehicles only (where the principal is not at risk).
- ▶ Stagger the maturity dates of your investments to avoid putting your organization in the position where all of its available resources are 'locked in' and inaccessible.

#### Tab 7: Consolidated Budget

The final tab in our budget system is the consolidated or summarized budget. In a consolidated format, you 'roll up' your budget line items into four or five major income and expense categories, such as the ones suggested below. As previously mentioned, it is important to include comparatives when presenting budget information. So, in this case, the first data column is *last year's budget* (using last year's results is another option), followed by *this year's budget*. The next two columns clearly indicate the *year-over-year change* (in dollars and percentages). The final column, *percent of total*, is an important way of highlighting how much each major budget category represents as a percentage of the organization's total income or expenses.

This consolidated version is the most appropriate format for presentation to the board of directors because of their strategic or 'big picture' focus.

**Figure 13**

<b>Organization Summary Budget Fiscal Year _____</b>	<b>Last Year's Budget</b>	<b>This Year's Budget</b>	<b>\$ Change</b>	<b>% Change</b>	<b>% of Total</b>
<b>Income</b>					
Government					
United Way					
Foundations					
Self-Generated					
<b>Total Income</b>					
<b>Expenses</b>					
Staffing					
Board and Volunteer					
Direct Program					
Central Administration					
<b>Total Expenses</b>					
Transfer to/from Reserves					
<b>Surplus (Deficit)</b>					

#### Additional Options for the Budget System

After your organization's fiscal budget is approved by the board of directors, the finance staff is tasked with the responsibility of apportioning the annual amounts to create monthly budgets. As previously mentioned, when preparing your monthly budget amounts DO NOT JUST DIVIDE BY TWELVE, unless the income or expense is equal each month. You may want to add another tab in your budget system to detail the monthly budget calculations.

Also, you can create individual tabs in your budget system on which to detail your individual program budgets. That way, you can link the cells from these tabs to the cells in the detailed budget tab, allowing you to make budget revisions and run scenarios more easily.



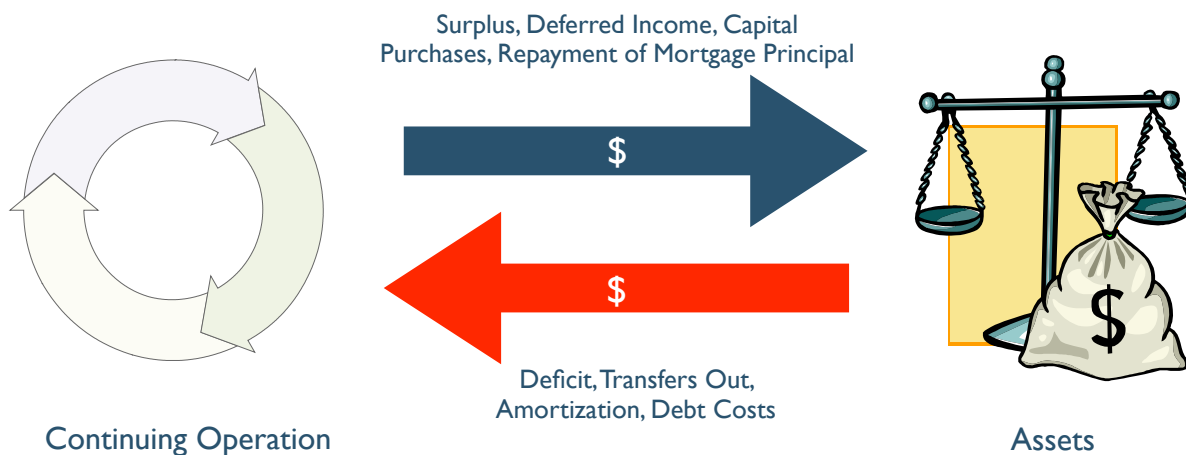
# Financial Statements - **GETTING THE INFORMATION YOU NEED**

## IT'S ALL ABOUT THE ASSETS

As a prelude to our discussion about financial statements, we will explore an important concept about the relationship between your organization's continuing operation and its assets.

If you have ever applied for a loan, mortgage or sought out the advice of a financial advisor, you may have been asked to complete a form to determine your personal net worth. When calculating your personal net worth, you will be asked to declare all of your personal assets or things that you have of value, such as a home, savings accounts, investments, etc. Next, you will be asked to detail any thing that you owe or your debts, such as a mortgage, personal loans, outstanding credit card balances, etc. The difference between the total of these two lists - what you have minus what you owe, is what your have left, or your personal net worth. Over the course of any year in our life, we do things and make decisions that will have an impact on our personal net worth. Sometimes that impact is positive (paying down our mortgage principal, adding to our savings, etc.) and sometimes it is negative (incurring debt, spending our savings, etc.) Years when our actions and decisions have a negative impact on our personal net worth would be considered by financial advisors to be 'unfavourable'.

**Figure 14**



The same is true of an organization. During the course of any fiscal year, actions are taken and decisions made which have an impact on the organization's net worth or net assets. In a favourable financial year, the impact would be a positive one, where the organization's net worth is increased. So, what types of actions or decisions can have a positive impact an organization's net worth?

If you refer to Figure 14, there is a list over the *green arrow* of actions and decisions that can have a positive impact on an organization's net worth, such as generating a surplus, earning deferred income, making capital purchases (equipment, land, buildings), or repaying some of the mortgage principal. However, as with our personal lives, actions taken and decisions made during the course of an organization's year can have a negative effect on its net worth, such as those listed under the *red arrow*. For example, incurring a deficit, transferring money out of the organization to another non-profit, foundation or social enterprise, amortization (realizing the annual expense of an asset purchase), and annual debt costs.

So, in short, the actions taken and decisions made throughout a fiscal year (ongoing or continuing operation) of a non-profit organization will have an impact on its net worth. Even in the case of a non-profit, it is desirable for the net worth of the organization to increase each year. An increase in your organization's net worth means that you have managed the finances of the organization prudently and have resources to support your activities for the coming year.

So, let's familiarize ourselves with three common financial reports.

## THE BALANCE SHEET

The Balance Sheet, also known as the Statement of Financial Position, is a snapshot of an organization's net worth on a specific date (usually month-end or year-end). It is the only financial report that applies to a specific moment in time. It is similar to a personal statement of net worth. Therefore, this report will tell you whether or not your organization's net worth (total fund balances) has increased or decreased over the previous month or year.

This financial report has three sections, *assets*, which details all that an organization has of value, such as cash, money owing (receivable) from others, investments, and capital or fixed assets. The next section, *liabilities*, provides information on what the organization owes, such as bills to be paid (payable), deferred income to be earned and balance owing on loans or mortgages. The third section, *fund balances*, indicates what the organization has left - the difference between what is has of value, minus what is owes. The total of the fund balances is the organization's net worth.

**Figure 15**

Balance Sheet (Statement of Financial Position)	As of March 31, Last Year	As of March 31, This Year
<b>Assets</b> Cash Petty cash Accounts/Grants Receivable Prepaid Expenses GICs (short-term investments) Fixed Assets (property and equipment)		
<b>Liabilities</b> Accounts Payable Accrued Expenses Deferred Income/Grants Mortgage Payable		
<b>Fund Balances</b> Unrestricted Internally Restricted Externally Restricted		

## THE INCOME STATEMENT

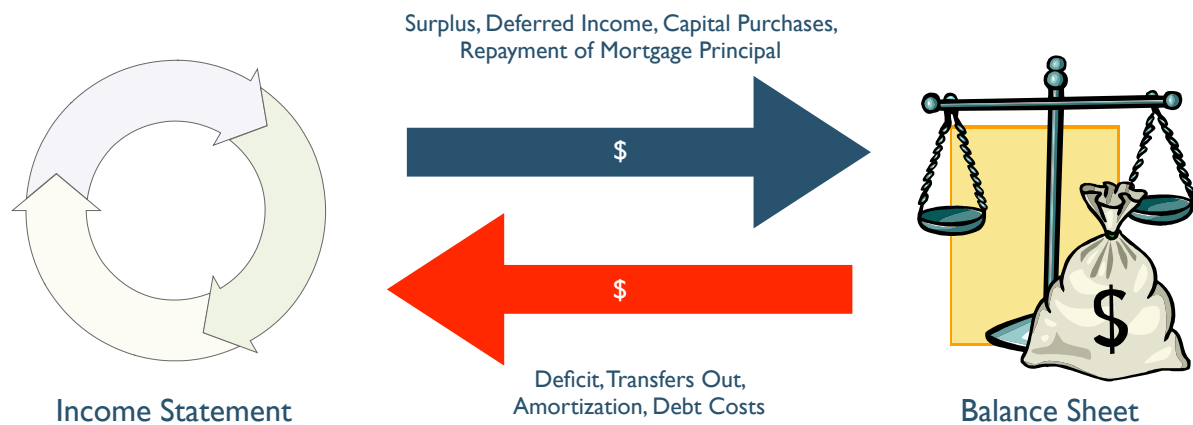
The Income Statement, also known as the Statement of Operations, summarizes your organization's financial activities over the month, quarter or year. It details the income your organization has earned and the expenses it has incurred over that period. You will recognize the format of this report, as it is the one that looks like the budget - *income* on top, *expenses* next and *surplus or deficit* on the bottom. You will notice a row above the surplus/deficit line titled, *transfer to/from reserves*. This row provides your organization with the opportunity to transfer surplus dollars generated throughout the year to your internally restricted reserve fund, or worse case, transfer dollars in from your internally restricted reserve fund to zero out a deficit that may have been incurred throughout the year.

**Figure 16**

Income Statement (Statement of Operations)	Budget for Month __, Year ____	Results for Month __, Year ____	Variance	
			\$	%
<b>Income</b> Federal Government Provincial Government Municipal Government Foundations Self-Generated (fundraising, donations, membership fees)				
<b>Expenses</b> Staffing Board and Volunteer Direct Program Central Administration				
Transfer to/from Reserves				
<b>Surplus/Deficit</b>				

Now, if you think back to Figure 14, we addressed how the actions and decisions from your organization's fiscal year will affect its net worth. On the left side of Figure 14 was a continuous circle representing your organizations continuing operation. The Income Statement is the report that gives you information about the financial results from our continuing operation. On the right side of Figure 14 was an illustration representing the organization's assets. The Balance Sheet is the report that gives your information about changes to your organizations net worth or net assets. In short, the Income Statement and Balance Sheet provide you with information about your organization's activities over the last year and how those activities have affected its net worth. Therefore, we could re-label Figure 14, as follows:

**Figure 17**





## THE CASH FLOW FORECAST

The Cash Flow Forecast is an important tool in proactively monitoring your organization's ability to pay its bills. This report is particularly useful for organization's whose funders require them to pay out expenses first, then claim them after-the-fact, as is the case with Citizenship and Immigration Canada. This report quite simply shows you the money expected to come into your organization and the money expected to go out of your organization, in any given month. If the total cash into the bank is less than the total cash out of the bank in any month, it is an indication that your organization will have insufficient cash to meet its monthly obligations. It is far better to have this information several months in advance, so that your organization can liquidate (cash) an investment or arrange for a line of credit to cover the shortage.

**Figure 18**

<b>Cash Flow Forecast</b>	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Cash Into Bank:												
Grants												
Contribution Agreements												
Fundraising												
<b>Total Cash Into Bank</b>												
Cash Out of Bank:												
Staffing												
Direct Program												
Central Administration												
<b>Total Cash Out of Bank</b>												
<b>Monthly Cash Surplus (Deficit)</b>												
Cumulative (YTD) Cash Flow												

## USING FINANCIAL STATEMENTS

You don't have to be an accountant to interpret financial statements, especially those for typical non-profits. Don't forget to rely on your external advisors (bookkeeper, accountant, auditor), and your finance staff for a more comprehensive understanding and/or for more complex issues.

The most important rule in interpreting financial statements is to take time to review them each month and ask lots of questions, such as the ones listed below.

- ▶ What is included in the amount?
- ▶ If this amount has increased or decreased significantly from last month/year, why?
- ▶ If there is an issue, when will it be resolved?

If you are interested in exploring financial statement in even more details, here are some additional questions that you can ask about Balance Sheets and Income Statements.

### Balance Sheet

Definitions:

- ➡ Assets - what the organization owns or is owed
- ➡ Current Asset - expected to be converted to cash or used within one year, e.g. GICs or other short-term investments
- ➡ Long-Term Asset - expected to be converted to cash or used after one year, e.g. Capital assets, longer term investments such as endowment funds
- ➡ Net Assets - what's left after subtracting liabilities from assets

#### 1. Current Assets: Cash and Cash Equivalents

- not necessarily the bank balance, as it could represent more than one bank account and short-term investments

Questions to Ask:

- ▶ What is included in the total cash and cash equivalents?
- ▶ If this value has increased or decreased significantly from last month/year, why?

#### 2. Current Assets: Accounts Receivable

- amounts owed to (earned by) the organization from others

Questions to Ask:

- ▶ What is included in the total accounts receivable?
- ▶ When will these amounts be paid?
- ▶ Are there any amounts that have been outstanding for a long time?
- ▶ Are any amounts likely to be uncollectible or written off?
- ▶ If this value has increased or decreased significantly from last month/year, why?

3. Current Assets: Pre-paid Expenses

- expenses paid in the current month/year for supplies or services that will be used in a future month/year

Questions to Ask:

- ▶ What is included in the total pre-paid expenses?
- ▶ If this value has increased or decreased significantly from last month/year, why?

4. Long-Term Assets: Capital (equipment, land, buildings)

- listed on financial statements at book value (amount of purchase; so, if donated, will show as zero value)

Questions to Ask:

- ▶ What is market value of these assets?
- ▶ Are assets insured for market value (not book value)?
- ▶ If this value has increased or decreased significantly from last month/year, why?

5. Long-Term Assets: Investments (endowment fund)

- unlike capital assets, long-term investments are recorded at market value

Questions to Ask:

- ▶ If this value has increased or decreased significant from last month/year, why?

6. Current Liabilities: Accounts Payable & Accrued Liabilities

- Accounts Payable - amount owed to vendors but not paid at the end of the fiscal period, e.g. Items purchased/ received but invoice not paid until later
- Accrued Liability - similar to Accounts Payable but not about purchases from vendors, e.g. Vacation accrual

Questions to Ask:

- ▶ What are the amounts owing and to whom?
- ▶ If this value has increased or decreased significantly from last month/year, why?

7. Current Liabilities: Deferred Revenue/Grants

- revenue received and deposited in the current month/year for services to be delivered in a future month/year

Questions to Ask:

- ▶ What is this revenue for?
- ▶ When will the funds be spent?
- ▶ If this value has increased or decreased significantly from last month/year, why?

TIP: If you have a lot of money in cash, it could be because you have a lot of deferred revenue. In other words, there should be a correlation between the amount of cash and deferred revenue.

8. Long-Term Liabilities: Loans

- amounts owing for long-term loans

Questions to Ask:

- ▶ Why does the organization have a loan/loans?
- ▶ When will the loan be re-paid?
- ▶ If this value has increased or decreased significantly from last month/year, why?

9. Long-Term Liabilities: Obligations on Capital Leases

- amounts owing for capital leases

Questions to Ask:

- ▶ What is being leased?
- ▶ When will the lease(s) end?
- ▶ If this value has increased or decreased significantly from last month/year, why?

10. Net Assets

- net worth of organization; similar to personal net worth

Questions to Ask:

- ▶ Is the organization's net worth increasing or decreasing? Why?
- ▶ Unrestricted and internally restricted assets represent an organization's free and clear money. Does this equal three to six months of committed operating expenses or shut-down costs? e.g. Capital assets and other long-term investments are not available; externally restricted assets are not available

**Income Statement**

1. Income

Questions to Ask:

- ▶ Is income increasing or decreasing year-over-year? Why?
- ▶ How diversified is the funding? i.e. Calculate percentage of each funding source
- ▶ Is dependence on the primary funder increasing or decreasing year-over-year?
- ▶ Which funding is single year? Multi-year? Is there a plan to replace funding before it ends?

2. Expenses

Questions to Ask:

- ▶ Salaries/Benefits usually will be an organization's largest expense. How many staff are permanent? Contract? In other words, what is the organization's risk if a contract is lost/cancelled?
- ▶ Rental/Leased Space - How long is the rental/lease commitment? How long does this commitment extend beyond the term of the primary funding source?
- ▶ Generally, is the increase/decrease in expenses from one month/year to the next proportionate to the increase/decrease in income?

## MANAGEMENT OR FINANCIAL RATIOS

As mentioned earlier in this section, understanding or interpreting financial statements is best accomplished by asking basic questions. If you have unanswered questions or feel uncertain about the information on a financial statement, consult with your organization's external and/or internal financial advisor(s).

Next, we will review four management or financial ratios which you may find helpful. However, the use of management or financial ratios on their own will not give you sufficient information to oversee or monitor and manage your organization's finances. They should not be used as a substitute for the type of question-based analysis referred to earlier in this section.

### The Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

- ▶ Information needed for this ratio can be found on the Balance Sheet or Statement of Financial Position.
- ▶ Indicates if the organization has enough cash to cover its bills.
- ▶ Ratio should be at least 1.0, indicating that the organization has one dollar of cash for every dollar owed.
- ▶ Best indicator of strong financial health is a ratio in the range of 1.0 - 1.5.
- ▶ If ratio is too high (2.0 or more) there may be too much cash. Ask where this cash is coming from. Are the organization's bills being paid on time? Will the organization be generating an unexpected surplus?

### The Program/Service Spending Ratio

$$\text{Program/Service Spending Ratio} = \frac{\text{Program Expenses}}{\text{Total Expenses}}$$

- ▶ Information needed for this ratio can be found on the Income Statement or Statement of Operations.
- ▶ Measures the relationship between funds spent for program delivery to total expenses.
- ▶ Identifies the percentage of funds spent on central administration costs.
- ▶ High level of public sensitivity associated with this ratio, especially when evaluating charities.
- ▶ 65% or higher is the standard indication of prudent use of funds.

## The Debt Ratio

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

- ▶ Information needed for this ratio can be found on the Balance Sheet or Statement of Financial Position.
- ▶ The debt ratio indicates an organization's financial solvency by measuring the relationship of its total liabilities (debt) to its total assets.
- ▶ In general, non-profits should have low debt ratios (less than 25%, i.e. total debt is no more than one-quarter of total assets).
- ▶ However, mortgages to acquire property or lines of credit to manage cash flow can increase the debt ratio but still be considered good financial management practices.
- ▶ Grants payable (liability) and grants receivable (asset) may distort the debt ratio.

## Income Flexibility Ratio

$$\text{Income Flexibility Ratio} = \frac{\text{Self-Generated Income}}{\text{Total Income}}$$

- ▶ Information needed for this ratio can be found on the Income Statement or Statement of Operations.
- ▶ Determines percentage of total income that is generated by, and under the control of, the organization.
- ▶ Organizations should target for a 20% income flexibility ratio to ensure that surplus money is available for unfunded costs and to build an adequate internally restricted reserve fund.



# Auditing - **EXTERNAL SUPPORT AND ADVICE**

## DIFFERENT TYPES OF AUDITS

In Canada, there are three types of accountants, Chartered Accountants (CA), Certified General Accountants (CGA) and Certified Management Accountants (CMA). All can provide general accounting services. Auditing services are regulated separately by each province. In Ontario, audits must be performed by a Public Accountant. Most public accounting and auditing in Canada is performed by Chartered Accountants.

An auditor can be engaged to provide three types of financial reviews:

- ▶ Audit Engagements
- ▶ Review Engagements
- ▶ Compilation Engagements

**Figure 19**

Type of Audit	Responsibility for Preparing Financial Statements	Purpose	Degree of Assurance
Audit Engagement (full audit)	Organization	Detailed analysis of financial statements to ensure they are presented fairly and in accordance with Generally Accepted Accounting Principles (GAAP). Review existence and effectiveness of financial controls.	High
Review Engagement	Auditor	Analysis of financial statements to ensure they are plausible and consistent with GAAP.	Medium
Compilation Engagement	Auditor	Statement preparation only. No review performed.	None

The requirement for (or exemptions from) a financial review or audit is determined by applicable government legislation. For federally incorporated non-profit organizations, this legislation is the newly revised Canada Not-for-profit Corporations Act. Provincially incorporated non-profits must follow the regulations set out by their own province. In Ontario, this legislation is called the Not-for-Profit Corporations Act. It may be of interest to note that Canada Revenue Agency (CRA) does not require audited financial statements or impose any requirements for auditing. The level of financial review required for a non-profit organization, if any, may be contingent upon several factors, including soliciting or non-soliciting status, gross annual income, member agreement/vote, and the requirements set out in the organization's by-laws.



Figure 19 compares the three different types of financial reviews which will be examine briefly below.

The *Audit Engagement* is the most comprehensive financial review and the most expensive. The auditor will perform specific procedures to assess the quality of the financial information provided, then affirm that the financial information is presented fairly and in accordance with generally accepted accounting principles. As an integral part of an Audit Engagement, the auditor should review your organization's financial controls and comment on their comprehensiveness and effectiveness. Comments regarding financial controls typically can be found in the management letter.

In comparison, a *Review Engagement* is limited to an analysis of the information contained within the financial statements. It is conducted in accordance with Canadian standards but it does not have the same level of comprehensiveness or assurance as does an Audit Engagement. Its essential purpose is to determine if the financial information presented in the statements is plausible. Review Engagements are becoming an increasingly more common requirement of funders, particularly the provincial government, foundations, and private and corporate funders. These funders are using the Review Engagement as an assurance that the manner in which the program spending has been accounted for is plausible, and that the program-specific financial information is presented accurately. It is important to know if a proposed funder requires a Review Engagement because if that is the case, the cost of such a review should be included in the program budget.

The third type of review is a *Compilation Engagement*, in which the auditor expresses no opinion or gives no assurance. In this case, the auditor compiles the information provided by the client, in the form of a financial statement. It's important to note that the auditor's only concern is that the information is assembled correctly and the numbers and totals are correct. Compilation Engagements are rare in the voluntary sector.

The Sarbanes-Oxley Act of 2002 was borne out of the high-profile Enron and WorldCom frauds that occurred in the United States. The Act is designed to oversee the financial reporting landscape for finance professionals. Its purpose is to review legislative audit requirements and to protect investors by improving the accuracy and reliability of corporate disclosures. Canada has since adopted reforms similar to those contained in the Sarbanes-Oxley Act. Even though these reforms are specific to for-profit organizations, they have, at the very least, established best practices for non-profits.

Two examples of these best practices which should be considered for adoption by all non-profits are as follows:

1. Do not use same accountant for your regular accounting services and for auditing, as this is an inherent conflict of interest.
2. If possible, rotate your principal auditor (not the entire auditing firm just the lead auditor) once every five years.

Our final note on auditing is to encourage you to make use of your auditor as an external advisor. You should be comfortable asking your auditor questions and seeking his/her advise. In fact, you should be able to contact your auditor throughout the year for brief consultations without additional charge.



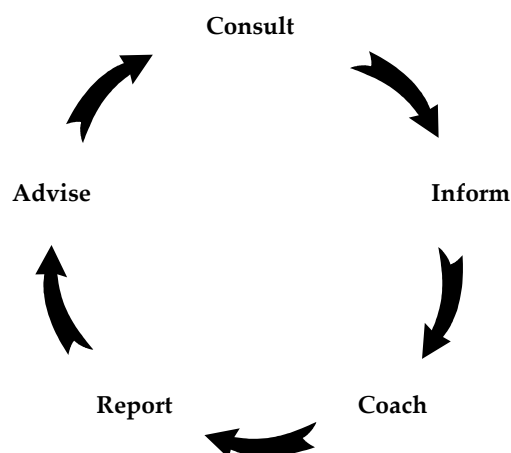
# Communicating Financial Information - **SHARING IS GOOD**

## THE CONTINUOUS CIRCLE OF COMMUNICATION

Most managers in the voluntary sector are quite familiar with the benefits of informing and engaging others, particularly as it applies to their clients. And, although they tend to see the advantages of engaging their staff in program-centric areas, it is common for them not to apply these same rules to financial communication. The reason might be that most of us in the voluntary sector don't feel very confident talking about financial issues. We may feel that financial information is confidential or reserved for discussion in management or board meetings only. Although some financial information is confidential, such as salaries, much of the financial information that comes your way can and should be shared widely within the organization. The truth of the matter is that our front-line workers make spending decisions every day, especially as it relates to direct program expenses. Informing them about, and engaging them in, budget development, monitoring and management, will improve the financial performance, and the financial management capacity, of the organization. Figure 20 reminds us of the continuous circle of communication. This circle can be applied to all communication efforts, although the current context for this usage is financial communication.

If you consider that financial management begins with budgeting (organization, program, project, or department), it makes sense that the financial management communications cycle begins with *consult*, as the best budgets are developed, not in isolation, but in consultation with the appropriate internal stakeholders. If you are a program manager, you are encouraged to consult with your front-line staff, your direct supervisor, finance, and perhaps, other program, project or department managers in the development of your budget. If you are a finance manager, your consultation will include your program, project and department colleagues, the executive director, and ultimately the finance committee.

**Figure 20**



The next step in the cycle is to *inform* these stakeholders about the organization's, program's, project's, or department's financial goals by reviewing the completed budget. This is a good time to talk about the high risk areas of the budget and potential steps that can be taken in the event that things don't go as planned.

Informing is followed in the communications cycle by *coaching*. As managers, coaching is an integral part of what you do on an ongoing basis. It is important to coach your staff on how to make the best use of the limited financial resources available to achieve organization, program, project, or department objectives. Whether these discussions happen one-on-one, or in a group, they can be helpful in finding creative solutions to budget problems and opportunities for cost management.

Next is *reporting* - the preparation and distribution of the monthly financial reports by finance, and the subsequent development of any variance reports and funder reports. It is important that these reports are completed on a timely basis in the event that any follow-up action is time sensitive.

The final step is *advising*, which occurs after you receive your financial reports and have discussions with your staff and your direct supervisor about the results. It is during these discussions that you review the actuals in comparison to the budget, talk about the underlying reasons for any significant variances, and explore suggestions on how to align the results with the budget.

The steps of coach, report and advise recur each month throughout the fiscal or program year. The entire process, starting with consult, begins again in earnest at the start of the next organization, program, project, or department budgeting cycle.

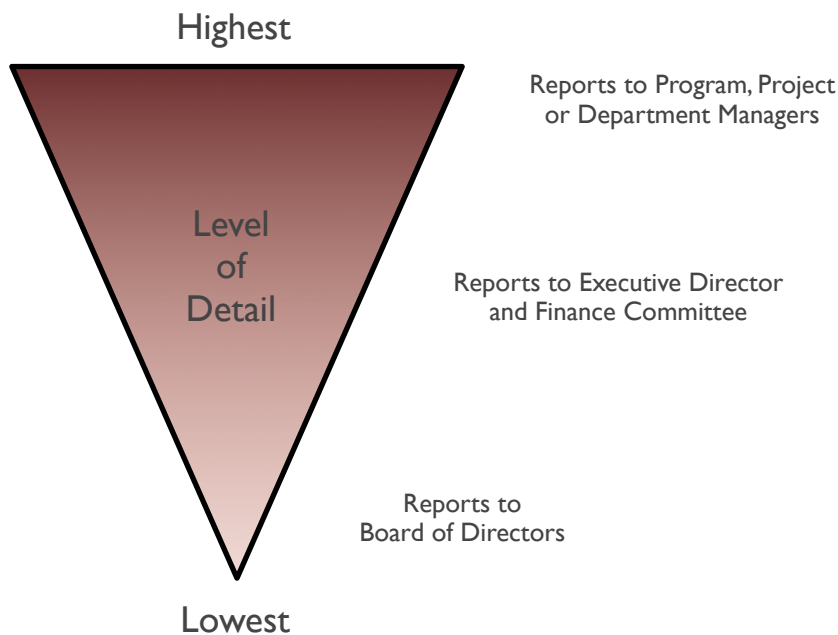
In summary:

- ▶ talk to staff about the budget; let them know how much is available to spend in areas key to their work
- ▶ don't get caught by surprise - regular monitoring ensures a proactive response
- ▶ hold others accountable for their part of the communications cycle
- ▶ remember, budget problems cannot be resolved in one month

## THE INVERTED TRIANGLE OF COMMUNICATION

Earlier in the manual we addressed the three different levels of decision-making, strategic, tactical and operational. In this section, we will relate these different decision-making purviews and their associated roles with financial reporting/communication. The inverted triangle can be helpful in remembering how much detail should be included in financial reports for each role within the organization. The principle of the inverted triangle is, quite simply, the higher (or more strategic) the decisions made by any given person or group, the less detail they should get in their financial (or any other) reporting or communication.

**Figure 21**



The board of directors is responsible for making decisions at the highest or most strategic level in the organization. Therefore, it is important that they receive the budget and regular financial reports in a consolidated or summarized format (lowest amount of detail), so they do not become mired in the minutia. They do not require program-level financial information.

The finance committee and executive director make tactical decisions, so they will need more detail in their financial reports than the board of directors. A detailed version of the organization budget and monthly financial reports is required in order for them to have the information necessary to do their work.

Finally, the program, project and department staff are responsible for making operational decisions and therefore require the highest level of detail in their financial reports. Detailed program, project and/or department-level information is required.

## FINANCIAL REPORT DISTRIBUTION AND SAMPLES

Figure 22 is a recommended monthly distribution list of financial reports. Please note that this recommendation includes cash flow forecasts which are of particular importance for organizations receiving funding by Citizenship and Immigration Canada.

Figures 23 and 24 are sample formats for consolidated and detailed organization income statements (actuals vs. budget), respectively.

**Figure 22**

Managers/ Coordinators	<ul style="list-style-type: none"><li>Detailed Program Actuals vs. Budget, by Month and YTD</li></ul>
Executive Director & Finance Committee	<ul style="list-style-type: none"><li>Detailed Organization Actuals vs. Budget, by Month and YTD</li><li>Detailed Balance Sheet</li><li>Detailed Cash Flow Forecast</li></ul>
Board of Directors	<ul style="list-style-type: none"><li>Consolidated Organization Actuals vs. Budget, YTD</li><li>Consolidated Organization Balance Sheet</li><li>Consolidated Cash Flow Forecast</li></ul>

Figure 23

**Sample Format for Consolidated Income Statement  
(Board of Directors)**

<b>Consolidated Income Statement Month __, Year ____</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance \$</b>	<b>Variance %</b>	<b>Explanation for Variance</b>
<b>Income</b>					
Funder Group 1					
Funder Group 2					
Funder Group 3					
Self-Generated Income					
<b>Total Income</b>					
<b>Expenses</b>					
Major Expense Group 1					
Major Expense Group 2					
Major Expense Group 3					
Major Expense Group 4					
<b>Total Expenses</b>					
<b>Surplus (Deficit)</b>					

Please note that monthly information can be provided in the consolidated report, in addition to YTD information.

Figure 24

**Sample Format for Detailed Income Statement  
(Executive Director & Finance Committee)**

Detailed Income Statement Month __, Year ____	Monthly Actual	Monthly Budget	Variance \$	Variance %	YTD Actual	YTD Budget	Variance \$	Variance %	Explanation for Variance
<b>Income</b>									
Funder 1									
Funder 2									
Funder 3									
Funder 4									
Self-Generated Income 1									
Self-Generated Income 2									
Self-Generated Income 3									
<b>Total Income</b>									
<b>Expenses</b>									
Expense Type 1									
Expense Type 2									
Expense Type 3									
Expense Type 4									
Expense Type 5									
Expense Type 6									
Expense Type 7									
Expense Type 8									
<b>Central Administration</b>									
Expense Type 1									
Expense Type 2									
Expense Type 3									
Expense Type 4									
Expense Type 5									
Expense Type 6									
<b>Total Expenses</b>									
<b>Surplus (Deficit)</b>									





# Fraud - **OPPORTUNITY + INTENT**

## COMMON EXAMPLES OF FRAUD

Fraud is becoming increasingly prevalent in Canada's non-profit sector. In fact, in the last five years, several large-scale frauds have been perpetrated against local charities. In each case, the fraud occurred because of a combination of the *intent* to commit fraud and the *opportunity* created by inadequate financial controls.

Let's review some of the ways that fraud can be perpetrated so that you get a better appreciation for the areas of high risk within an organization:

- ▶ Payroll fraud - Typically perpetrated against organizations with a moderate to large-sized staff complement, by the person responsible for completing payroll. This person adds a 'ghost' or fake employee onto the payroll system using an associate's social insurance number. The best way to prevent payroll fraud is to have a defined approval process for adding new staff to the payroll, along with regular monitoring of the payroll input documents and reports.
- ▶ Assets misappropriated - The assets most at risk are smaller, portable ones such as laptops, external hard-drives, projectors, printers, software, art work, etc. Often these assets are taken home under the premise that they are being borrowed, yet they are never returned. Theft prevention is founded in proper asset management. Each one of the organization's assets should be numbered with a label or marking that is not easily removed. A complete, detailed list of assets should be maintained, including date of purchase, make, model, and serial number. Program, project or department managers should have a list of the assets within their area of responsibility. A formal inventory should be taken of all assets once per quarter.
- ▶ Intercepting or diverting resources coming into the organization - This type of fraud is often perpetrated at the organization's first point-of-contact with the public, by a receptionist or administrator. It also can involve the staff person who makes purchases or receives shipments on behalf of the organization. For example, a donor comes to make an in-person contribution by cheque. The receptionist accepts the cheque and instructs the donor "not to write the name of the organization in the 'payable to' line because s/he has a stamp that can be used for that purpose". The donor completes the rest of the cheque in good faith. When the donor leaves, the receptionist fills his/her name in the 'payable to' line and cashes the cheque. Preventing this type of fraud is done by having the appropriate processes and controls in place regarding the receiving and handling of resources.
- ▶ Skimming cash before it's recorded in the accounting system - Handling cash is a high risk area for any organization, especially at off-site events and after-hours activities. The best way to prevent 'cash skimming' is to ensure that more than one person is responsible for collecting and documenting cash collection, a process called *segregation of duties*, which we will review in detail later in this manual. Also, it is critical to have a defined process associated with petty cash and program advances to ensure that cash disbursement, receipt collection and reconciliation/replenishment is adequately controlled.
- ▶ Expense reimbursement fraud - Obviously, only expenses related to 'business' should be claimed for reimbursement, however, what constitutes a business expense and the maximum amounts that can be claimed, especially for travel, need to be clearly defined in order to prevent fraud.

- ▶ Fraudulent billing - This type of fraud is almost always perpetrated by a member of the finance or accounting staff. Typically, this person registers a proprietorship in a name other than their own, creates a fake invoice, has that invoice approved for payment, then cashes the cheque themselves as the proprietor of the business. The best way to prevent this type of fraud is for your organization to have a vendor approval process and approved vendors list. The process ensures that vendors or suppliers are vetted for legitimacy and payments are issued only to those on the approved list.
- ▶ Using the office to get unauthorized benefit (bribes, self dealing transactions, conflicts of interest) - There is a wide variety of fraudulent activities that can fall under this category, from something as simple as using the organization's long distance budget to make personal calls to larger, more complex frauds such as extending an advantage to a friend or family member, instead of issuing a public tender (RFP) for a large project or purchase. The best way to prevent this type of fraud is by having adequate controls in place.
- ▶ Falsification of the organization's financial statements - Obviously, this type of fraud is perpetrated by finance, as they are the ones generating the financial reports. The reason for the falsification is simple - to hide an error or disguise a fraudulent act. Unfortunately, these frauds can go undetected until discovery by an auditor. The best way to prevent this type of fraud is for the executive director, finance committee and/or board of directors to review the financial statements carefully, ask questions and persist on issues that are not adequately explained. If this type of fraud is suspected, contact your auditor immediately.
- ▶ Stealing confidential information to apply for a credit card or loan - Identity theft is on the rise and you have likely taken steps in your personal life to protect yourself. Every organization has an obligation to protect its staff from this type of fraud by keeping personnel information in a locked cabinet and limiting access. Also, documents with social insurance numbers (such as T4s) should not be left out in the open where they can be copied or stolen.
- ▶ Fraudulent use of official donation receipts - In Canada, only registered charities can issue official donation receipts and they must do so in accordance with the rigorous guidelines set out by Canada Revenue Agency (CRA). If an individual, business or non-charitable non-profit 'mocks up' a receipt for use themselves or by another, this can be considered fraud. Charities should NEVER, under any circumstances, lend out their charitable registration number to any person or organization. Doing so can result in the loss of charitable status.

## FRAUD PREVENTION

Fraud prevention is rooted in the organizations internal controls system, a collection of activities, behaviours and special policies that when combined, reduce the risk of fraud occurring. The six elements of an internal controls system are as follows<sup>1</sup>:

1. Control cues - board members, executives, managers, and coordinators lead by example and adhere to all fraud prevention policies
2. Policy communication - disseminate and provide training on, fraud prevention policies
3. Segregation of duties - organize financial duties to reduce the opportunity for fraud
4. Record keeping - keep appropriate records for financial and compliance activities
5. Budgets - develop budgets (financial goals) for the organization and its programs/projects/departments
6. Financial reporting/analysis - issue and analyze monthly financial reports

Everyone in the organization, from board members to front-line workers, have a role to play in reducing the risk of fraud. Let's review the ways that different internal stakeholder group can prevent fraud.

### Board of Directors

- ▶ Appoint and monitor a standing finance committee.

As previously mentioned, it is now considered a best practice for every non-profit to have a finance committee. This committee, as with all board committees, is accountable only to the board. The committee can have as few as three members, including the treasurer, who should act as the committee chair. The other committee members should be current board members. Please note that the executive director and finance staff should NOT be members of the finance committee. To have them as part of the committee is considered to be a conflict of interest, as it is the role of this committee to oversee the finance-related work of the executive director and the work of the finance staff. The finance committee is an important element in fraud prevention, as it provides an extra level of scrutiny by vetting the budget and the financial reports prior to review and approval by the board. The committee has the mandate and opportunity to explore significant variances and unfavorable trending at a much greater level of detail than the board. This committee also has other important responsibilities related to financial management and risk reduction, such as:

- ✓ Monitor the development and updating of the organization's financial controls.
- ✓ Conduct internal spot audits to validate that the organization is in compliance with its financial controls.
- ✓ Hire and review the external auditor.
- ✓ Put a Whistleblowers Policy in place to encourage employees, vendors and clients to come forward and report suspected wrongdoing with anonymity.
- ✓ Assist in the implementation and monitoring of the organization's risk management plan.
- ▶ Approve the organization's annual budget and oversee its financial results, each month.
- ▶ Oversee the annual audit or review engagement.
- ▶ Monitor contractual and lease commitments.
- ▶ Lead by example.

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<sup>1</sup> McLaughlin, Thomas A., *Streetsmart Financial Basics for Nonprofit Managers*, 3rd ed. (Hoboken, New Jersey: John Wiley & Sons, Inc.

### **Executive Director and Management Team**

- Manage the development and communication of, and adherence to, fraud prevention policies.
- Ensure that financial duties are appropriately segregated.
- Maintain adequate records for financial and compliance activities.
- Develop the organization, program, project, and department budgets.
- Ensure that financial reports are issued and reviewed on a timely basis.
- Monitor and manage the financial performance of the organization and its programs, projects and departments
- Lead by example.
- Report suspected wrongdoing.

### **Front-Line Staff**

- Familiarize themselves with, and adhere to, all fraud reduction policies.
- Report suspected wrongdoing.

### **Segregation of Duties**

One of the important elements of an internal controls system is the appropriate segregation of financial duties, activities or tasks. This control element is founded on the principle that fraud results from a combination of opportunity and intent. Therefore, if one person is responsible for a financial duty, activity or task from start to finish, there is an increased opportunity for them to commit fraud. If they are intent on perpetrating fraud, then it is likely to occur.

*“No financial transaction is handled by only one person from beginning to end. This principle, called segregation of duties, is central to an effective internal controls system. Even if your staff is small, duties can be divided up between paid staff and volunteers to reduce the opportunity for error and wrongdoing.”<sup>2</sup>*

Segregation of duties is particularly important in the handling of cash. Let's explore an example of a situation where segregating an activity is necessary and how it is accomplished:

Your organization is hosting its annual fundraising gala, and in addition to having sold tickets in advance of the night of the event, it is selling tickets at the door. You will be accepting payments by cash, cheque or credit card at a special reception table designated for this purpose. You have three helpers - two staff persons and one volunteer. The tasks associated with this activity are as follows:

- ✓ process the payments
- ✓ issue the tickets
- ✓ issue a receipt for the payments
- ✓ take down the name and address of anyone interested in receiving an official donation receipt (if applicable)

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<sup>2</sup> Alliance for Nonprofit Management, [http://www.allianceonline.org/FAQ/financial\\_management/what\\_is\\_internal\\_accounting.faq](http://www.allianceonline.org/FAQ/financial_management/what_is_internal_accounting.faq)

So, what are your options in organizing the tasks associated with this activity? Well, you could have each of the three helpers perform all of the required tasks. Although this probably would get the job done, there would be inadequate segregation of duties and as a result, an increased risk of fraud. Any one of the helpers, could, if so inclined, skim cash from a payment without being detected.

A better option, from a fraud prevention perspective, is to separate out or segregate the tasks amongst the three helpers, as follows:

- ✓ Helper 1: process the payments
- ✓ Helper 2: issue a receipt for the payments and, if desired, take down the address of anyone interested in an official donation receipt (to be mailed out later)
- ✓ Helper 3: issue the tickets

An acceptable alternative is as follows:

- ✓ Helper 1: process cash and cheque payments
- ✓ Helper 2: process credit card payments
- ✓ Helper 3: issue receipts, take down addresses as required, and issue tickets

In either case, at the end of the night, the amount of cash, cheques and credit card payments collected should reconcile with the total payment receipts issued.

As a final note on segregation of duties, in an organization where the finance manager or a bookkeeper prepares cheques (payables), this person should NOT have cheque signing authority. In other words, the person preparing payments should never sign the cheques.



# Financial Controls - **MITIGATING RISK**

## TOP 10 FINANCIAL CONTROLS

Financial controls are just special policies designed to reduce financial risk to an organization. These controls are an integral part of the overall internal controls system that we reviewed in the previous section. In this section, we will review the ten most important financial controls. The content below has been structured as questions that, when answered, can assist you in developing your organization's financial controls.

### **Signing Authority**

- ▶ Number and mix of cheque signatories:
  - ✓ How many signatures must appear on a cheque?
  - ✓ Who is authorized to sign cheques on behalf of your organization?
  - ✓ What mix of signatories best suits your organization and ensures that cheques can be easily signed, especially during vacation periods?
- ▶ Limits:
  - ✓ What are the signing limits for each signatory/group of signatories?
- ▶ Exceptions for fixed expenses:
  - ✓ Will your organization make an exception to its standard signing authority rules for recurring fixed expenses? If so, which expenses apply and what is the maximum amount that can be authorized? For example, let's say that bill payments over \$2,500 usually require the signature of the executive director and a board member. However, even though the rent payment is \$3,500, it is a regular, recurring expense. The board of directors can give the executive director authority (via the policy) to sign the rent payment without a second signature.

### **Bank Accounts**

- ▶ Number and type of accounts:
  - ✓ At what institution(s) will your organization bank? For example, chartered banks only, credit unions only, any institution where deposits are covered by Canada Deposit Insurance Corporation (CDIC)
  - ✓ How many bank accounts will your organization maintain? What types and how many of each type? Will separate bank accounts be opened for specific funders or projects?
- ▶ Access:
  - ✓ Who controls/approves bank access authorities?
  - ✓ Who will have access to the bank account(s)? Consider online and telephone access, as well as those that require a bank card.
  - ✓ Will each person have full access to all accounts, full access to some accounts or information-only access to the account(s)?
  - ✓ What happens when a staff person with bank access leaves the organization?

- ▶ Minimum balances:
  - ✓ What minimum balance will your organization maintain for each bank account to minimize service fees?
- ▶ Interest generation and investing:
  - ✓ Does your organization permit investing of reserve funds for the purpose of generating interest income?
  - ✓ If so, how much money is invested vs. the amount left in the current account?
  - ✓ Who makes the decisions on what vehicle(s) to invest in? What is the criteria for these decisions?
  - ✓ Is a final sign-off required on investment activities? If so, by whom?
  - ✓ How are the maturity dates of the investments staggered to ensure that cash is accessible?
  - ✓ Who monitors the investments and maturity dates?
  - ✓ Who receives the investment reports from the bank or investment company? Are they distributed to anyone for review? If so, who?
  - ✓ Does the board review any reports on these investments? If so, how often and containing what information?
- ▶ Loans and lines of credit:
  - ✓ Does your organization permit borrowing money through loans or lines of credit?
  - ✓ If so, under what circumstances is this authorized?
- ▶ Approval and spot-checking of reconciliations:
  - ✓ Does the organization require the bank account(s) to be reconciled monthly? If so, are the reconciliation(s) done manually or via the computerized accounting system?
  - ✓ Who performs and who approves the reconciliation(s)?
  - ✓ Are reconciliations spot-checked periodically throughout the year? If so, by whom and when?

### **Cash Transactions and Deposits**

- ▶ Cash Transactions:
  - ✓ What is the process for receiving, handling and logging cash transactions in the office DURING business hours?
  - ✓ What is the process for receiving, handling and logging cash transactions In the office AFTER business hours?
  - ✓ What is the process for receiving, handling and logging cash transactions at OFF-SITE events/activities?
- ▶ Physical security of cash:
  - ✓ How is cash kept secure in the office DURING business hours?
  - ✓ How is cash kept secure in the office AFTER business hours?
  - ✓ How is cash kept secure at OFF-SITE events/activities?



- ▶ Endorsement of cheques:
  - ✓ Does your organization endorse cheques that it receives? If so, when and by whom?
  - ✓ Is there a stamp? If so, where is it kept?
- ▶ Bank deposits:
  - ✓ What is the process for preparing and making bank deposits (appropriate segregation of duties)
  - ✓ How are bank deposits handled (use of deposit bag, minimum of two people to the bank)?
- ▶ Petty Cash:
  - ✓ Who is responsible for administering the petty cash fund?
  - ✓ What is the process associated with handling and reconciling petty cash?
- ▶ Program Advances:
  - ✓ Are program advances permitted by your organization? If so, to whom are they given and how much?
  - ✓ What is the process associated with handling and reconciling program advances?

#### **Use of Organization Credit/Debit Cards**

- ▶ Organization cards vs. personal cards:
  - ✓ Does your organization prefer that business purchases are paid for by staff and claimed for reimbursement, or does the organization have corporate credit cards and/or debit cards for use in making business purchases?
- ▶ Eligibility and issuance:
  - ✓ Who is eligible for a card?
  - ✓ What is the process and who is responsible for issuing these cards?
  - ✓ What is the process and who is responsible for retrieving/canceling these cards when a staff person leaves the organization?
- ▶ Types of purchases:
  - ✓ What types of purchases can be made using these cards?
- ▶ Limits and approvals:
  - ✓ What are the limits for purchases?
  - ✓ What approvals, if any, are required in advance of purchases?
- ▶ Transactions, receipts and statements:
  - ✓ Can the cards be used for making online and telephone transactions, as well as in-person transactions?
  - ✓ What is the process associated with collecting and submitting receipts and reconciling credit card statements?

### **Cheque Control**

- ✓ What is the process for ensuring that all cheque numbers can be accounted for?
- ✓ What is the process associated with voiding cheques?
- ✓ How are cheques kept physically secure (safe from theft)? Who has access to the cheque supply?
- ✓ Who is responsible for ordering/re-ordering cheques? From what source are cheques purchased to ensure that they meet current banking regulations and security standards?
- ✓ If electronic signatures and/or cheque imprinters are in use, how are they kept secure from theft or misuse?
- ✓ Does your organization expressly forbid the signing of blank cheques? Please note that the answer to this question should be YES!

### **Schedule of Reporting**

- ✓ Does your organization post an accounting calendar for each fiscal month and year-end, that clearly indicates the dates for important financial activities such as when invoices must be received by finance for payment, when cheques are signed, when expense reports are due, when financial reports are issued, etc. If so, who is responsible for creating this calendar, where is it posted or how is it circulated?
- ✓ Does your organization issue financial communications to external stakeholders? If so, when are they generated and what is the content and format?
- ✓ What are the financial reporting requirements for the annual general meeting (AGM)? Who prepares the report(s)?

### **Annual Budgets and Spending Limits**

- ▶ Integrated organization planning cycle:
  - ✓ How is the fiscal budgeting process integrated with the organization's operational planning cycle?
- ▶ Defined roles and responsibilities:
  - ✓ What are the specific roles and responsibilities associated with the budgeting process at your organization?
  - ✓ By what date must the fiscal budgeting process be completed and the budget approved by the board?
- ▶ Revisions and updating:
  - ✓ What is the process for making revisions to, or updating, the fiscal budget?
- ▶ Spending limits for each role:
  - ✓ What are the 'no approval required' spending limits associated with each role in the organization?
  - ✓ Beyond these limits, which roles are responsible for approving purchases, and for whom?

### **Retention of Records**

- ▶ Compliance with Canada Revenue Agency and legislative requirements:
  - ✓ What is the process for ensuring that your organization is in compliance with the record keeping requirements of Canada Revenue Agency (if a registered charity), and federal and/or provincial legislation?

- ▶ Physical security, storage and protection:
  - ✓ How are paper records kept secure from theft and protected from fire and water damage?
  - ✓ What records are kept on-site? What records are kept off-site? How are the off-site records labelled/stored to ensure easy access?
- ▶ Data back-up and recovery:
  - ✓ What files are backed-up and to where?
  - ✓ How often are these files backed-up on-site and by whom?
  - ✓ How often are these files backed-up off-site and by whom?
  - ✓ What is the process for recovering internally and externally backed-up files?

### **Donations and Receipting (Charities)**

- ▶ Protecting charitable registration number:
  - ✓ How is your organization's charitable registration number protected from unauthorized use?
- ▶ Canada Revenue Agency (CRA) compliance:
  - ✓ What is the process for ensuring that your organization complies with CRA guidelines regarding the issuance of official donation receipts?
  - ✓ How is the receipting for in-kind donations handled to ensure compliance with CRA regulations?
- ▶ Physical security/control of receipts:
  - ✓ How are your organization's donation receipt forms kept secure from theft?
  - ✓ What is the process for ensuring that every donation receipt is tracked and approved?

### **Independent Review or Audit**

- ▶ Type of audit:
  - ✓ What type of financial review is required by/for your organization?
- ▶ Selection of auditor/auditing firm:
  - ✓ What is the process for selecting an auditor?
- ▶ Rotation of principal auditor:
  - ✓ How often do you rotate your principal or lead auditor (if applicable)?
- ▶ Year-end auditing process:
  - ✓ By what date must this review be completed (how long after your fiscal year-end)?
  - ✓ What specific work is done in preparation for the audit and who is responsible for this work?
  - ✓ Does your board interact directly with the auditor? If so, how and when?
  - ✓ Who reviews and approves the audited financial statements?
  - ✓ Who is responsible for completing the post-audit corrections/entries (if applicable) and by what date (how long after audit completion)?

The following non-finance controls work in combination with financial controls to reduce risk.

- ▶ Insurance coverage:
  - ✓ What insurances does your organization require and how much of each type? Please note that most non-profits require both General Liability, and Errors and Omissions (Director's Liability) insurance. Amounts of protection should be at least \$1 million for each but more may be required under certain circumstances and by specific funders.
- ▶ Business expense claims (travel, meals, mileage):
  - ✓ What are the processes and guidelines associated with claiming business expenses, particularly those related to travel?
- ▶ Contractual/lease obligations:
  - ✓ Who can sign contracts on behalf of the organization and to what amount?
  - ✓ What are the guidelines to ensure that the organization is not obligated beyond its financial capacity?
- ▶ Technology and asset security:
  - ✓ What are the processes associated with creating and changing passwords for computers, servers, software, and voice mail access?
  - ✓ How are the organization's capital assets protected from misappropriation?
- ▶ Procurement/tendering:
  - ✓ What are the processes associated with purchasing supplies, equipment and services?
  - ✓ What guidelines are in place to ensure that significant purchases are made in a transparent, fair and competitive manner?
  - ✓ What guidelines are in place to select and approve vendors?
- ▶ Trusteeships and partnering:
  - ✓ What are the criteria for determining whether or not the organization should enter into a specific trusteeship or partnership?
  - ✓ What are the terms associated with trusteeships and partnerships? Is there a contract that needs to be signed? If so, what does it include?
  - ✓ How are trusteeships and partnerships managed, monitored and evaluated?
- ▶ Reserve funds (number, type, calculation of requirements):
  - ✓ What types of reserve funds will the organization maintain?
  - ✓ How will the organization calculate the requirements for each fund?
  - ✓ Who must approve transfers in/out of the reserve funds?

- ▶ Finance committee:
  - ✓ What is the term of office for finance committee members?
  - ✓ How many members will be on the committee?
  - ✓ How often does the finance committee meet?
  - ✓ What are the general responsibilities of the committee?
  - ✓ What are the committee's specific annual deliverables (work plan)?
  - ✓ Does committee generate reports for the board of directors? If so, when? What is the content of these reports?
- ▶ Risk management and business continuity/disaster recovery planning:
  - ✓ Does the organization require a risk management plan and a business continuity/disaster recover plan?
  - ✓ How are these plans developed?
  - ✓ Who is responsible for monitoring and updating these plans?

## ACCOUNTING PROCEDURES

In addition to documenting policies, it is important to document procedures, particularly where finance is concerned. Finance work is very detailed and finance staff tend to, over time, develop ways to get their work done that is efficient and comprehensive. Unfortunately, if a finance staff person resigns, is terminated or is forced to take a leave of absence due to illness, inadequately documented accounting processes and procedures can paralyze the organization.

The best way to protect the organization and facilitate the training of new hires is to ensure that there is adequate documentation on how the following accounting procedures are handled and how the associated bookkeeping transactions are recorded:

- ▶ revenue and cash receipts
- ▶ expenditures and disbursements
- ▶ assets and liabilities
- ▶ financial and tax reporting
- ▶ payroll and related remittances

## FINANCIAL CONTROLS SHOULD EVOLVE WITH YOUR ORGANIZATION

Not all organizations require a full range of financial controls. Every organization should have a depth and breadth of controls that best suits its stage of development. Figure 25<sup>3</sup> provides a summary of how financial controls should be developed as an organization evolves from early life to maturity. Smaller, volunteer-based organizations can start with two signatures on their cheques; as they move to the growing-up stage, basic controls should be added. In adulthood, an organization's complexity requires comprehensive financial controls and written financial procedures. Finally, in full maturity, financial and other fraud prevention controls should exist throughout the organization.

**Figure 25**

<b>Stage of Development</b>	<b>Characteristics</b>	<b>Required Financial Controls</b>
Early Life	Group of volunteers; no commitments beyond immediate work; local fund-raising; no funder; whole group acts as the management	Two signatures on cheques
Growing Up	A few paid staff; rented premises; few financial commitments; one funder; management committee formed	<i>Early life controls, plus</i> Basic controls
Adulthood	More paid staff; own premises, equipment, and vehicles; financial commitments to beneficiaries; several funders	<i>Growing up controls, plus</i> Comprehensive financial controls and written financial procedures
Maturity	Many paid staff, premises, vehicles, and equipment; financial commitments to partners; many funders	<i>Adulthood controls, plus</i> Detailed financial controls throughout organization

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<sup>3</sup> Building Capacity through Financial Management: A Practical Guide by John Cammack



# Citizenship and Immigration Canada (CIC) - **YOUR PARTNERSHIP**

## PRINCIPLES OF CIC FUNDING

Your relationship with CIC, as a funded service provider, has limitations. The contract that defines those limitations is called a contribution agreement. It is very important that managers, executives and board members of CIC-funded organizations read their contribution agreement carefully. Do not assume that CIC has any obligations to you beyond what is written in the contribution agreement. Furthermore, do not confuse *your* obligations with those of CIC or any funder.

Some important points regarding your relationship with CIC are detailed below.

Citizenship and Immigration Canada:

- ▶ Will reimburse for approved, eligible costs associated with contracted services to eligible clients. *The terms of your funding arrangement with CIC is very specific - pay attention to the details.*
- ▶ Is not intended to be the sole funding machine behind an organization. *It is important to diversify your funding sources and limit your dependence on any single funder.*
- ▶ Is not the employer and will not pay costs such as termination pay, severance or unused benefit entitlements. *Make certain that your organization puts money aside every year for payroll liabilities.*
- ▶ Will not pay cancellation costs associated with third-party service contracts or lease agreements. *Do not obligate your organization beyond the term of your largest funding agreement.*
- ▶ Will not guarantee continued funding beyond the current cycle. *In fact, there is a clause in your contribution agreement that provides for the cancellation of the agreement at any time, with notice (usually 90 days).*
- ▶ Can cancel or reduce its commitment if available funds are reduced by Parliament. *The total amount of federal funding or changes to the provincial distribution of funding can have an impact on available funds.*

## COMPARISON OF THE GRANT AND CONTRIBUTION AGREEMENT

The contractual relationship that you have with your various funders differs depending on the nature of the agreement and the details of the contract. Most funders will contract with service providing organization via a grant agreement. However, the federal government, as previously discussed, contracts with its service providing organizations via a contribution agreement. Let's explore the differences between the grant and contribution agreement.



### **The Grant Agreement**

- ▶ Typical funding arrangement for provincial and municipal governments, as well as foundations and private funders.
- ▶ Funds are paid in advance of the program start date, either in a lump sum or in two or three installments.
- ▶ Funds must be used for costs directly related to approved program activities.
- ▶ Funded organizations must submit an overall program budget for approval and spending must be consistent with this budget.
- ▶ A mid-term and final report are required with a narrative and financial component.
- ▶ Funder may require a Review Engagement (audit) of the program.

### **The Contribution Agreement**

- ▶ May be single year (or less) or multi-year.
- ▶ Contains general provisions that govern all aspects of your relationship with CIC.
- ▶ Attached schedules provide details specific to your program, including approved annual budget amounts by expense type.
- ▶ Unlike with grants, funds are not paid up front; expenses must be paid out, then claimed after-the-fact, a process that can take one to two months and can put pressure on an organization's cash flow.
- ▶ Eligible expenses and the claims process is specific to, and highly regulated by, CIC.
- ▶ Underspending (slippage) is closely scrutinized and may result in a partial loss of funding.
- ▶ Organizations will be subject to a program monitor and/or a full audit (Audit Engagement) by CIC.
- ▶ Ownership of CIC-funded assets rests with the service provider, however they cannot be disposed of without approval by CIC.
- ▶ Some clauses of the agreement 'survive' beyond its term.

## RULES AND PROCESS FOR CLAIMING CIC EXPENSES

As you are now aware, based upon the terms of the contribution agreement, CIC will not pay your organization any monies upfront. Therefore, your organization will have to pay any expenses related to your CIC funded program(s), then claim reimbursement for those expenses from CIC. The rules and process for claiming expenses are specific to CIC, as follows:

- ▶ Cost must be incurred and paid prior to claiming.
- ▶ Costs can be claimed only if they relate to a particular line item (expense type) on the contribution agreement.
- ▶ Claimed amounts must be net of any discounts, rebates or off-setting income.
- ▶ Maximum amounts indicated on the contribution agreement, for any expense type, cannot be exceeded without prior written approval by CIC.
- ▶ Funds can be moved from one expense type to another up to \$1,000 (must be communicated to CIC settlement officer.)
- ▶ All claimed amounts must be substantiated by supporting documents.




## COMMON REASONS FOR CIC CLAIM PROBLEMS

There are several recurring problems with CIC claims, as follows:

- ▶ Claims for expenses that are incurred but not paid.
- ▶ Claims based on cash flow, instead of actual expenditures.
- ▶ Over claiming the maximum amount allowed in the contribution agreement for any expense type.
- ▶ Claims for costs that have not been approved by CIC (seek approvals in advance and keep all documentation).
- ▶ Claims based upon inappropriate 'movement' of costs from one expense type to another.
- ▶ Lack of supporting documentation for claimed amounts.
- ▶ Claimed amount not directly related to the program or otherwise considered ineligible.
- ▶ Claims based upon costs in an amendment that is not finalized (agreements or amendments are not finalized until they are signed by your organization, your CIC region and CIC head office).

## MONTHLY CIC REPORTING REQUIREMENTS

One of your organization's obligations is preparing and submitting reports to CIC on a monthly basis. Every funded organization must submit at least two reports each month: A claim form (financial report) and an activity report. Your organization may be required to submit other reports from the list below. Please consult directly with your CIC settlement officer for clarification on your organization's monthly reporting requirements. All monthly reports are due by the 10th of each month, for the previous month, except at year-end when they typically are due a few days earlier.

- ▶ Claim Form  - the financial report or claim of paid expenses
- ▶ Activity Report - a text-based narrative of program activities
- ▶ Statistical Report - a statistical summary of your program activities
- ▶ CIC Forecast of Cash Flow/Variance Report 
- ▶ CIC Slippage Report 

 Form provided by CIC

## CIC CASH FLOW PREPARATION

Once your organization's contribution agreement is approved, the next step is to allocate the annual amounts listed on schedule 2 of your contribution agreement, over the months in the program year. CIC will provide you with a cash flow form on which to document your monthly budget amounts. The process that you use to calculate the monthly amounts is as important as the one you use to calculate monthly amounts in the organization budget - the same rules apply:

- ▶ Do not just divide the annual totals by twelve.
- ▶ Base monthly amounts on the work plan and number of program delivery weeks per month.
- ▶ For salaries and benefits consider; number of pay periods per month, recruitment time for new hires, seasonal/peak period labour, and retirement plan payments.
- ▶ Anticipate large, single expenses such as events, consulting fees, capital asset purchases, and the audit.
- ▶ Consider schedule of payments to partners.

## TRACKING CIC EXPENSES

Tracking expenses for your organization's CIC-funded program is an important task, as it ensures that all eligible costs are recovered promptly and that you have the documentation required to substantiate each claimed expense. Figure 26 illustrates a recommended process for tracking and documenting your CIC expenses.

As previously reviewed, upon finalization of your contribution agreement, you will be required to allocate the annual amounts on schedule 2 of this agreement, by month, to complete your cash flow form. This cash flow form is provided to you by CIC on a Microsoft Excel spreadsheet.

You can easily create a system for tracking expenses and variances by copying the blank cash flow tab twice, labeling the first tab or workbook as *cash flow*, the second as *actuals* and the third as *variances*. Complete your monthly allocations on the first tab, leave the second tab blank for you to enter your actual expenses each month, and finally, create formulas in the cells of the third tab, subtracting the cells in your actuals tab from those in your cash flow tab, thereby continuously calculating monthly variances for each expense type. This Excel file becomes your tracking sheet.

Then, each month, prepare and print a report from your accounting system showing only CIC-related expenses for the applicable month. Keep a copy of this report as it becomes one of the reference documents for your CIC claim. Enter the expenses from this report to the tracking sheet, actuals tab. Then, transfer the amounts from the tracking sheet to your CIC claim form. This simple process provides an accurate system for tracking and reporting claimed expenses, and for monitoring variances.

**Figure 26**



 Form provided by CIC

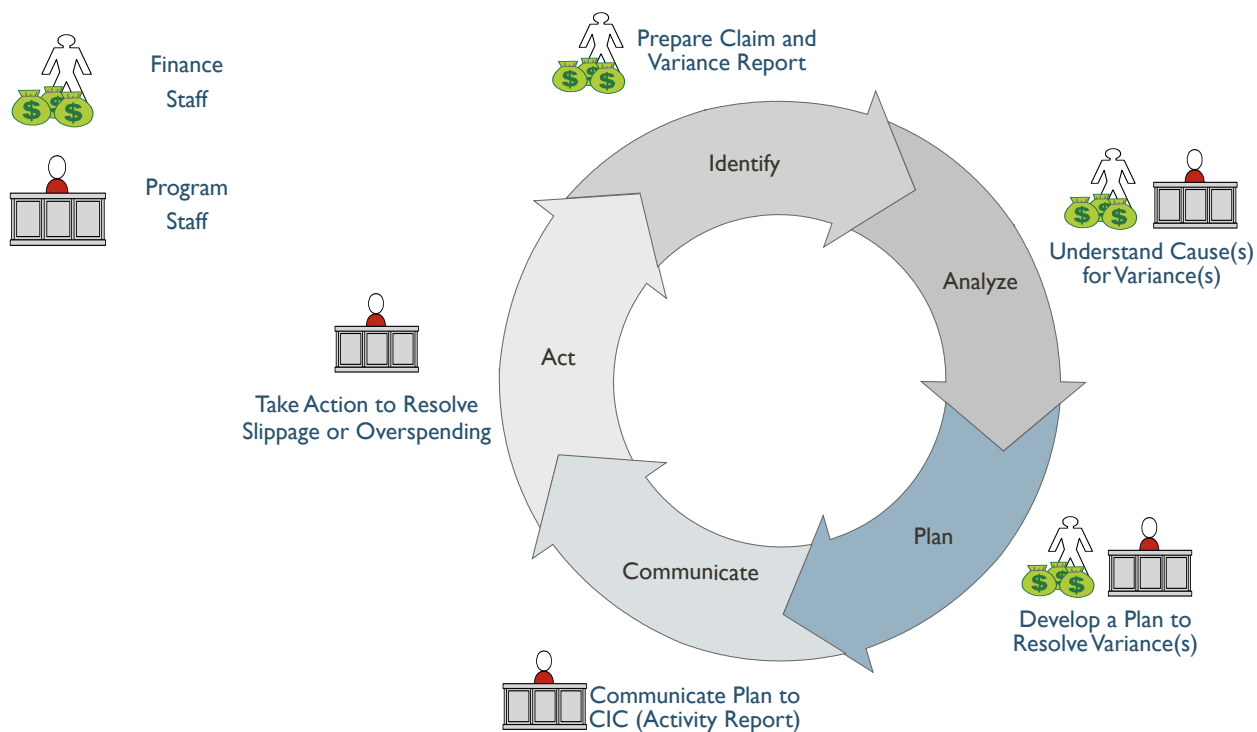
## MANAGING VARIANCES TO YOUR CIC CASH FLOW (BUDGET)

At the beginning of each funding cycle, CIC carefully considers how it will apportion its limited resources. Once their decision-making process is complete, CIC negotiates contracts (contribution agreements) with selected service providing organizations based upon the budgets submitted in the original proposal. Once the contribution agreement is signed, CIC reserves the total amount of the program budget for the organization based on the assumption that the organization will be able to make use of the entire amount requested. Because of the limited resources available at a federal, provincial and regional level, many programs go unfunded each year. Others are provided with more limited funding than originally requested. CIC closely scrutinizes how funding is being spent throughout the year, especially if it varies from the approved program budget. Therefore, it is very important that funded organizations work to prevent underspending or overspending, or carefully manage these variances if they occur.

Preventing and managing variances is typically the joint responsibility of the finance and program staff. It is important for them to work closely together in this effort. Figure 27 illustrates a five-step process for managing variances to your CIC budget.

1. Identify any variance between the CIC cash flow and program actuals, each month.
2. Analyze each variance to understand its root cause(s.)
3. Plan to resolve the variance(s).
4. Communicate the action plan to your CIC settlement officer, by phone and/or in the monthly activity report.
5. Act on your plan to resolve the variance(s).

**Figure 27**



Remember:

- ▶ If slippage or overspending is unavoidable, communicate to your direct supervisor and CIC settlement officer in advance of the variance becoming significant.
- ▶ CIC may consider slippage or overspending to be an indication of poor financial management.
- ▶ CIC will not automatically top-up an organization's funding because of overspending.
- ▶ Sound budget development and regular budget monitoring are the best ways to prevent slippage and overspending.

## CIC FINANCIAL MONITOR

Your CIC settlement officer will perform a financial monitor on each one of your organization's CIC funded program. The purpose of the financial monitor is to ensure that your expense claims are fully substantiated with supporting documentation and consistent with the terms of the contribution agreement. The monitor will typically cover a period of two to four months for each funded program.

In preparation for the monitor, compile, print or make available the following:

- ▶ approved contribution agreement with all applicable schedules and amendment(s)
- ▶ general ledger for monitored program(s) and applicable time period
- ▶ supporting documentation for all claimed amounts
- ▶ applicable bank statement(s), cancelled cheques, expense ledgers, and financial reports
- ▶ lease agreement for space rental and office equipment
- ▶ personnel policy
- ▶ for funded wages and salaries, payroll records, timesheets/attendance records, proof of WSIB, EHT and CRA remittances, and proof of benefit costs payment(s)
- ▶ details or rationale for allocating central administration costs
- ▶ current list of funded capital assets including date of purchase, make, model, and serial number
- ▶ if providing transportation assistance to clients, provide the transportation log showing who received the token/ticket, invoices and proof of payment for purchasing tickets
- ▶ if claiming staff travel, provide the travel log that clearly indicates the origin and destination, mileage, date, time, and purpose of travel
- ▶ if the funded item is cost-shared with other funders, provide details on rationale for claimed amount
- ▶ demonstrate how the HST claim is calculated, taken into consideration eligible HST rebates
- ▶ provide copies of correspondence or file notes relating to CIC discussions/approvals for special arrangements, changes or modifications



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Copies are available for download by CIC-funded organizations, by going to [www.cic.gvconsult.ca](http://www.cic.gvconsult.ca).